EASTPHARMA LTD.
AND ITS SUBSIDIARIES

Consolidated Financial Statements
For The Year Ended
31 December 2014

Building a better working world

Güney Bağımsız Denetim ve SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

Report of independent auditors

To the Board of Directors of
Eastpharma Ltd.

We have audited the accompanying consolidated financial statements of Eastpharma Ltd. ("Eastpharma", "the Company"), and its subsidiaries and its joint venture (together referred to as "the Group"), which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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

Zeynep Okuyan Gökyılmaz, SMMM
Engagement Partner

March 10, 2015

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

(Amounts expressed in US Dollar.)

ASSETS

CURRENT ASSETS	Notes	Audited 31 December 2014	Audited 31 December 2013
Cash and cash equivalents	5	23,333,264	34,009,755
Trade and other receivables (net)	6	79,327,703	78,650,883
Inventories	8	76,179,897	77,392,710
Other current assets	9	8,973,290	9,314,852
Total Current Assets		**187,814,154**	**199,368,200**
NON-CURRENT ASSETS			
Property, plant and equipment (net)	10	130,920,602	138,646,629
Intangible assets (net)	11	101,509,938	94,578,028
Goodwill	12	79,954,875	80,079,930
Investments in associates	13	553,825	961,135
Deferred tax assets	18	10,181,298	9,874,225
Other non-current assets	9	70,944	43,509
Total Non-Current Assets		**323,191,482**	**324,183,456**
TOTAL ASSETS		**511,005,636**	**523,551,656**

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

(Amounts expressed in US Dollar)

LIABILITIES AND EQUITY

CURRENT LIABILITIES	Notes	Audited 31 December 2014	Audited 31 December 2013
Short-term borrowings	14	85,500,768	78,283,078
Trade payables	15	16,070,024	16,705,263
Due to related parties	7	24,937	26,749
Provisions	17	1,837,387	2,718,529
Other payables and accrued expenses	16	13,054,984	12,190,177
Current tax payable	18	13,341	41,512
Call option liability	21	499	643,654
Total Current Liabilities		**116,501,940**	**110,608,962**
NON-CURRENT LIABILITIES			
Long-term borrowings	14	85,046,027	85,223,923
Provision for employment termination benefits	19	2,162,379	2,327,356
Deferred income	16	7,183,953	7,075,041
Total Non-Current Liabilities		**94,392,359**	**94,626,320**
TOTAL LIABILITIES		**210,894,299**	**205,235,282**
EQUITY			
Share capital	21	338,250,000	338,250,000
Premium in excess of par	21	99,774,445	99,774,445
Legal reserves	21	1,215,248	1,215,248
Accumulated deficit		(68,114,838)	(66,496,890)
Actuarial gain arising from defined benefit plans		129,748	-
Foreign currency translation reserve		(130,149,955)	(110,441,933)
Equity attributable to equity holders of the parent		**241,104,648**	**262,300,870**
Non-controlling interests		59,006,689	56,015,504
Total Equity		**300,111,337**	**318,316,374**
TOTAL LIABILITIES AND EQUITY		**511,005,636**	**523,551,656**

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollar)

	Notes	Audited 1 January – 31 December 2014	Audited 1 January – 31 December 2013
Revenue	22	210,532,767	217,125,087
Cost of sales	23	(130,676,122)	(128,856,739)
Gross profit		**79,856,645**	**88,268,348**
Operating expenses	24	(63,525,091)	(73,800,711)
Investment revenue	25	22,684,181	24,755,294
Finance costs (net)	26	(40,296,557)	(43,637,073)
Other gains and losses	27	(269,751)	6,391,506
Loss from investment in associates	28	(407,310)	(461,101)
(Loss) / Profit before tax		**(1,957,883)**	**1,516,263**
Current tax expense	18	(13,341)	-
Deferred tax income / (expense)	18	421,071	(453,879)
Tax income / (expense)		**407,730**	**(453,879)**
Net (loss) / profit for the year		**(1,550,153)**	**1,062,384**
Attributable to:			
Equity holders of the parent		(1,617,948)	(529,423)
Non-controlling interests		67,795	1,591,807
		(1,550,153)	**1,062,384**
Basic and diluted earnings per share (US Dollar)	31	(0.02)	(0.01)

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollar)

	Audited 1 January – 31 December 2014	Audited 1 January – 31 December 2013
Net (loss) / income for the year	**(1,550,153)**	**1,062,384**
Other Comprehensive Profit / (Loss):		
Items not to be reclassified subsequently to profit or loss	**129,748**	**-**
Actuarial gain arising from defined benefit plans	162,185	-
Tax effect of other comprehensive income not to be reclassified to profit or loss	(32,437)	-
Items that may be reclassified subsequently to profit or loss	**(16,784,632)**	**(43,262,328)**
Foreign currency translation	(16,784,632)	(43,262,328)
Total comprehensive loss for the year	**(18,205,037)**	**(42,199,944)**
Total comprehensive loss attributable to:		
Equity holders of the parent	(21,196,222)	(50,924,783)
Non-controlling interests	2,991,185	8,724,839
	(18,205,037)	(42,199,944)

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollar)

	Notes	Number of shares	Share capital	Premium in excess of par	Legal reserves	Actuarial gain arising from defined benefit plans	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance as of 1 January 2013	21	67,650,000	338,250,000	99,774,445	1,215,248	-	(60,046,573)	(65,967,467)	313,225,653	47,290,665	360,516,318
Currency translation		-	-	-	-	-	(50,395,360)	-	(50,395,360)	7,133,032	(43,262,328)
Net profit for the year		-	-	-	-	-	-	(529,423)	(529,423)	1,591,807	1,062,384
Total comprehensive income/(loss)		-	-	-	-	-	(50,395,360)	(529,423)	(50,924,783)	8,724,839	(42,199,944)
Balance as of 31 December 2013		67,650,000	338,250,000	99,774,445	1,215,248	-	(110,441,933)	(66,496,890)	262,300,870	56,015,504	318,316,374
Balance as of 1 January 2014	21	67,650,000	338,250,000	99,774,445	1,215,248	-	(110,441,933)	(66,496,890)	262,300,870	56,015,504	318,316,374
Actuarial gain arising from defined benefit plans		-	-	-	-	129,748	-	-	129,748	-	129,748
Currency translation		-	-	-	-	-	(19,708,022)	-	(19,708,022)	2,923,390	(16,784,632)
Net loss for the year		-	-	-	-	-	-	(1,617,948)	(1,617,948)	67,795	(1,550,153)
Total comprehensive income/(loss)		-	-	-	-	-	(19,708,022)	(1,617,948)	(21,325,970)	2,991,185	(18,334,785)
Balance as of 31 December 2014		67,650,000	338,250,000	99,774,445	1,215,248	129,748	(130,149,955)	(68,114,838)	241,104,648	59,006,689	300,111,337

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollar)

	Notes	Audited 1 January-31 December 2014	Audited 1 January-31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / profit for the year		(1,550,153)	1,062,384
Adjustments to reconcile net profit to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	10	9,240,295	10,892,063
Amortization of intangible assets	11	8,372,626	8,496,253
Impairment losses on intangible assets	11	556,847	481,208
Loss from investment in associates	28	407,310	461,101
Provision for employment termination benefits	19	1,037,557	1,020,340
Gain on sale and disposal of property, plant and equipment and intangible assets	27	(306,137)	(3,054,909)
Gain on derivative financial instruments	26	(209,395)	(105,962)
Release for doubtful receivables	6	67,777	-
Allowance for other doubtful receivables	6	(585,324)	-
Amortization of discount	25, 26	(287,207)	173,264
Change in fair value of call option liability	27	(643,155)	572,616
Change in fair value of bonds issued		(4,330,858)	-
Provisions	17	114,787	988,894
Bank loans interest expense	26	13,177,481	9,765,604
Bonds issued interest expense	26	5,083,981	4,002,556
Change in allowance for diminution in value of inventories	8	1,163,655	268,589
Unrealized foreign exchange loss	26, 27	1,992,028	2,183,331
Interest income	25	(681,177)	(370,572)
Interest income from deferred settlement term sales	25	(160,611)	(78,295)
Tax (income) / expense	18	(407,730)	453,879
Changes in working capital:			
Increase in trade and other receivables		(30,344,601)	(17,262,736)
Increase in inventories		(6,156,273)	(18,230,727)
Decrease in other current assets		40,786	1,799,919
Increase in trade payables		21,610,028	29,920,066
Decrease in due to related parties		(1,812)	(4,467)
Increase in other payables and accrued expenses		2,906,237	1,220,953
Cash generated from operations		**20,106,962**	**34,655,352**
Income tax paid		(134,840)	(423,276)
Provisions utilized	17	(784,491)	(3,070,620)
Employment termination benefits paid	19	(855,076)	(1,106,114)
Net cash provided by operating activities		**18,332,555**	**30,055,342**

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollar)

	Notes	Audited 1 January-31 December 2014	Audited 1 January-31 December 2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(15,026,168)	(26,777,437)
Purchases of intangible assets	11	(19,379,687)	(15,675,378)
Proceeds on disposal of intangible assets		582,087	1,066,042
Proceeds on disposal of property, plant and equipment		628,734	8,208,020
Net cash used in investing activities		(33,195,034)	(33,178,753)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		832,604	403,406
Interest paid		(11,884,557)	(11,401,534)
Proceeds from borrowings		216,195,197	305,859,955
Repayment of borrowings		(194,781,913)	(320,228,022)
Cash (used in) / provided by bonds issued		(5,083,980)	46,520,343
Net cash provided by financing activities		5,277,351	21,154,148
NET CHANGES IN CASH AND CASH EQUIVALENTS		(9,585,128)	18,030,737
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		34,009,755	18,158,807
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,100,547)	(2,225,250)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	23,324,080	33,964,294

Changes in working capital include currency translation of US Dollar 13,159,858 (1 January – 31 December 2013: US Dollar 27,052,882). The distribution of the currency translation effect for the period is as follows:

	1 January-31 December 2014	1 January-31 December 2013
Trade receivables	(29,667,781)	(44,913,634)
Inventories	(7,369,086)	(15,903,106)
Other receivables and current assets	(300,776)	(2,354,172)
Trade payables	22,245,267	31,765,305
Other payables and accrued expenses	1,932,518	4,352,725
	(13,159,858)	(27,052,882)

(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 129 pharmaceutical molecules in 239 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 2014 and 31 December 2013 are as follows:

	Ownership %		Place of incorporation	Principal activity
Direct holdings:	31 December 2014	31 December 2013		
EastPharma SARL	100%	100%	Luxembourg	Direct parent company of Deva
Indirect holdings:				
Deva	82.2%	82.2%	Turkey	Production and sales of human pharmaceuticals
Saba	99.9%	99.9%	Turkey	Production and sales of human pharmaceuticals
EastPharma İlaç	100%	100%	Turkey	Non – operating

The Group has also interest of 21.75% (2013: 21.75 %) in a company incorporated in Singapore, Lypanosys PTE LTD of which principal activities are production and sales of human pharmaceuticals.

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

Main indirect company of EastPharma is Deva Holding A.Ş., it owns 82,2% of the shares of Deva as of 31 December 2014. Non-controlling interest amount is mainly refer to these shares.

A summary of financial statements of Deva, in US Dollar terms, is as follows;

Deva Holding	31 December 2014	31 December 2013
Current assets	178,091,777	186,732,394
Non-current assets	207,600,797	200,926,034
Current liabilities	(113,346,389)	(103,880,142)
Non-current liabilities	(94,366,175)	(94,611,034)
Equity attributable to equity holders of the parent	(177,999,056)	(189,200,315)
Non-controlling interests	19,046	33,063

	1 January- 31 December 2014	1 January- 31 December 2013
Sales	214,038,210	221,186,642
Expenses	(209,877,281)	(207,979,222)
Net profit for the year	4,160,929	13,207,420
Attributable to:		
Equity attributable to equity holders of the parent	4,170,663	13,199,541
Non-controlling interests	(9,734)	(7,879)
Net profit for the year	4,160,929	13,191,662
Net profit for the year	4,160,929	13,207,420
Actuarial gain arising from defined benefit plans	164,431	-
Tax effect other comprehensive income not to be reclassified to profit or loss	(32,886)	-
Foreign currency translation	(59,496)	(88,487)
Total comprehensive income for the year	4,232,978	13,118,933
Total comprehensive income attributable to:	**4,232,978**	**13,118,933**
Equity attributable to equity holders of the parent	4,242,712	13,126,812
Non-controlling interests	(9,734)	(7,879)
	4,232,978	13,118,933

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 29.

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 fermentators.

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 74 registered products and 97 presentation 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 2014 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 2014. 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 1 January 2014 are as follows:

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

IFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any 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 2014 are as follows (cont.):

IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment does not have any impact on the financial position or performance of the Group.

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.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

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

Annual Improvements to IAS/IFRSs

In September 2014, IASB has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs 2010 - 2012 Cycle

IFRS 2 Share-based Payment

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

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

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

Annual Improvements to IAS/IFRSs (cont.)

Annual Improvements – 2011–2013 Cycle (cont.)

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9 (or IAS 39), or
• Using the equity method
The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

Annual Improvements to IAS/IFRSs (cont.)

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements 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 currency

The functional 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); Deva is in TRY, Saba is in TRY and EP SARL is in USD functional currency. 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".

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 acquiree and the equity interests issued by the Group in exchange for control of acquiree. 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 acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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.

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 acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (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 acquiree 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 acquiree 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 acquiree 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments in associates (cont.)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Revenue recognition (cont.)

Sale of goods (cont.)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Intangible assets (cont.)

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.

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 2014 US Dollar 1,062,941 (31 December 2013: US Dollar 449,492) amount was capitalized on qualifying assets. The weighted average capitalization rate on funds borrowed generally is 6.6% per annum (2013: 6% 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 year. 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 2014 and 2013 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.)

Financial instruments (cont.)

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. Derivative financial instruments are initially measured at fair value on the contract date, and they are re-measured to fair value at subsequent reporting dates. The Group has not designated the derivative financial instruments as hedges and, the changes in the fair value of non-hedging derivatives are charged to profit or loss in the related year (Note 26).

The fair value of derivative instruments is classified as a non-current asset or a non-current liability if the remaining maturity of the derivative instruments is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 33.

Sale of treasury shares

The sale of shares of Deva by subsidiaries decreased the interest of the Company in Deva. Changes in the percentage of interests (increases and decreases) of a controlled entity that does not result in a change in control do not fall within the definition of business combination. In the accompanying consolidated financial statements the sale of shares by subsidiaries is accounted for as an equity transaction at book value under IAS 27 (2003) Separate Financial Statements.

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments 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 2014, 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.

The carrying amount of the internally-generated intangible assets at 31 December 2014 was US Dollar 43,051,761 (31 December 2013: US Dollar 29,208,139) and US Dollar 556,847 (31 December 2013: 481,208) impairment loss was recognized in the year ended 31 December 2014.

Intangible asset recognized on 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 2014, 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 10.7% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 7% per annum growth rate consisting of 6.5% inflation and real growth rate of 0.47%.

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

Critical judgments in applying the entity's accounting policies (cont.)

Impairment of goodwill (cont.)

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 2014 and 2013, 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.

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. At the beginning of 2012 the Group Management reviewed the useful lives of certain product lines. Based on the sales forecasts, useful lives of some of the products have been extended to 15 years. Previously all product lines had an average useful life of 10 years. As a result of this change, the current year amortization charge became USD 1,473,613. If the change had not been done the current year amortization charge would be USD 2,912,719. 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.

(Amounts expressed in US Dollar)

5. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Petty cash	27,094	28,422
Demand deposits	3,939,355	4,820,096
Time deposits	19,357,631	29,115,776
Cash and cash equivalents in cash flow statement	23,324,080	33,964,294
Interest income accruals	9,184	45,461
	23,333,264	34,009,755

As of 31 December 2014, the Group's time deposits were Euro, NZD and US Dollar time deposit, and the average interest rate for Euro time deposit is 2.05%, NZD time deposit is 4.25% and US Dollar time deposit is 3.05% (as of 31 December 2013, the Group's time deposits were Euro and US Dollar and the average interest rate was 2.53% and 3.26%, respectively). The Group has made investments in short term time deposits and purchased agreements which have an average maturity of one week.

As at 31 December 2014, the Group does not have any cash deposits pledged against the bank loans used (31 December 2013: 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 2014, two customers each represented 26% and 31% of the total trade and other receivables balance, respectively (31 December 2013: 32% and 30%, respectively).

	31 December 2014	31 December 2013
Trade receivables	19,204,294	19,814,308
Notes receivable	60,081,785	58,760,946
Other receivables	626,948	75,629
Less: Allowance for other doubtful receivables	(585,324)	-
	79,327,703	78,650,883

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

As at 31 December 2014 and 2013, the Group provided provision in full for its all past due trade and other receivables. The rest of the receivables amount is neither past due nor impaired. For the year ended 31 December 2014, the average credit period on sales is 117 days (31 December 2013: 134 days).

Movement of allowance for doubtful receivables in value for the year ended 31 December 2014 and 2013 is as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Balance at 1 January	3,284,213	3,932,176
Reversal of provision	(67,777)	-
Translation effect	(261,445)	(647,963)
Balance at 31 December	2,954,991	3,284,213

Impaired receivables have an aging of more than two years as at 31 December 2014 and 2013.

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 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.

(Amounts expressed in US Dollar)

6. TRADE AND OTHER RECEIVABLES (cont.)

Provision for other doubtful receivables(-)	For the year ended 31 December 2014	For the year ended 31 December 2013
Balance at 1 January	-	-
Provision charge	585,324	-
Balance at 31 December	585,324	-

Collateral received in relation to trade receivables were as follows:

	31 December 2014	31 December 2013
Letters of guarantees	6,966,706	7,139,299

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 2014	31 December 2013
Benefits payable to the Board of Directors and individual shareholders	24,937	26,749
	24,937	26,749

Due to related parties balances consist of dividends payable to the individual shareholder and benefits payable to the Board of Directors members.

Compensation of key management personnel	For the year ended 31 December 2014	For the year ended 31 December 2013
Short-term benefits	4,056,284	5,045,603
Employment termination benefits	50,231	57,362
Total compensation	4,106,515	5,102,965

8. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	45,737,890	41,479,721
Work-in-progress	8,539,924	9,128,814
Finished goods	19,962,770	24,885,074
Goods in transit	3,733,242	2,583,889
Allowance for diminution in value of inventories	(1,793,929)	(684,788)
	76,179,897	77,392,710

Movements in the allowance for diminution in value of inventories are as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Opening balance	684,788	498,313
Charge for the year	1,331,238	1,229,912
Provisions utilized	(167,583)	(961,323)
Translation effect	(54,514)	(82,114)
Closing balance	1,793,929	684,788

(Amounts expressed in US Dollar)

9. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	31 December 2014	31 December 2013
Value added tax (VAT) receivable	6,268,663	6,170,354
Business advances given	149,541	234,818
Income accruals (*)	1,243,604	1,145,006
Prepaid expenses	918,730	1,084,180
Prepaid taxes	93,328	203,779
Other assets	299,424	476,715
	8,973,290	9,314,852

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

Other non - current assets	31 December 2014	31 December 2013
Prepaid expenses	70,944	43,509
	70,944	43,509

(Amounts expressed in US Dollar)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Machinery Acquired Through Finance Leases	Vehicles	Vehicles Acquired Through Finance Leases	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost											
At 1 January 2014	14,366,566	260,014	61,908,294	90,244,773	1,658,952	2,354,332	26,288	7,370,028	118,869	11,964,042	190,272,158
Currency translation	(1,023,722)	(20,699)	(4,928,316)	(7,184,089)	(132,064)	(187,420)	(2,093)	(586,704)	(9,463)	(952,418)	(15,026,988)
Additions	-	-	-	-	-	51,650	-	658,456	878	14,315,184	15,026,168
Transfers	-	-	3,629,588	8,410,576	-	-	-	-	-	(12,040,164)	-
Disposals	(131,814)	-	(94,507)	(1,390,285)	-	-	(33,551)	(139,197)	-	-	(1,789,354)
At 31 December 2014	13,211,030	239,315	60,515,059	90,080,975	1,526,888	2,218,562	(9,356)	7,302,583	110,284	13,286,644	188,481,984
Accumulated depreciation											
At 1 January 2014	-	(76,043)	(7,056,461)	(38,806,150)	(849,750)	(409,361)	(26,288)	(4,320,814)	(80,662)	-	(51,625,529)
Currency translation	-	6,990	646,162	3,558,876	67,646	59,094	2,093	389,696	6,963	-	4,737,520
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(1,127,804)	-	-	-	-	-	-	(1,127,804)
Depreciation charge for the year	-	(16,397)	(1,495,719)	(8,115,112)	(110,444)	(464,245)	-	(800,926)	(9,483)	-	(11,012,326)
Disposals	-	-	39,631	1,261,838	-	-	33,551	131,737	-	-	1,466,757
At 31 December 2014	-	(85,450)	(7,866,387)	(43,228,352)	(892,548)	(814,512)	9,356	(4,600,307)	(83,182)	-	(57,561,382)
Carrying amount at 31 December 2014	13,211,030	153,865	52,648,672	46,852,623	634,340	1,404,050	-	2,702,276	27,102	13,286,644	130,920,602
Carrying amount at 1 January 2014	14,366,566	183,971	54,851,833	51,438,623	809,202	1,944,971	-	3,049,214	38,207	11,964,042	138,646,629

(*) US Dollar 1,127,804, 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 IFRS 16 and IFRS 38 (Note 11) as the projects are in progress as at 31 December 2014.

As of 31 December 2014, capitalized financial expense amounts to US Dollar 1,062,941 (31 December 2013: US Dollar 449,492). As of 31 December 2014, insured property, plant and equipment amounts to TRY 675,065,000 (Equivalent of US Dollar 291,114,321) (31 December 2013: TRY 572,810,000; Equivalent of US Dollar 268,383,076).

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 20,000,000, US Dollar 15,750,000 and TRY 16,200,000 (Note 20).

(Amounts expressed in US Dollar)

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land	Land Improvements	Buildings	Machinery and Equipment	Machinery Acquired Through Finance Leases	Vehicles	Vehicles Acquired Through Finance Leases	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost											
At 1 January 2013	14,012,771	288,033	74,190,464	84,649,739	1,986,257	2,031,942	43,645	7,912,608	138,782	16,757,248	202,011,489
Currency translation	(1,307,480)	(47,463)	(12,225,454)	(13,948,982)	(327,305)	(334,833)	(7,192)	(1,303,877)	(22,869)	(2,761,338)	(32,286,793)
Additions	6,167,248	19,444	-	-	-	735,368	-	763,662	2,956	19,088,759	26,777,437
Transfers	-	-	1,426,176	19,694,451	-	-	-	-	-	(21,120,627)	-
Disposals	(4,505,973)	-	(1,482,892)	(150,435)	-	(78,145)	(10,165)	(2,365)	-	-	(6,229,975)
At 31 December 2013	14,366,566	260,014	61,908,294	90,244,773	1,658,952	2,354,332	26,288	7,370,028	118,869	11,964,042	190,272,158
Accumulated depreciation											
At 1 January 2013	-	(71,931)	(7,621,796)	(34,618,620)	(873,730)	(17,624)	(43,645)	(4,042,880)	(82,776)	-	(47,373,002)
Currency translation	-	13,791	1,449,456	6,801,987	143,977	52,423	7,192	781,042	15,039	-	9,264,907
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(1,099,453)	-	-	-	-	-	-	(1,099,453)
Depreciation charge for the year	-	(17,903)	(1,806,452)	(10,019,016)	(119,997)	(457,530)	-	(1,061,022)	(12,925)	-	(13,494,845)
Disposals	-	-	922,331	128,952	-	13,370	10,165	2,046	-	-	1,076,864
At 31 December 2013	-	(76,043)	(7,056,461)	(38,806,150)	(849,750)	(409,361)	(26,288)	(4,320,814)	(80,662)	-	(51,625,529)
Carrying amount at 31 December 2013	14,366,566	183,971	54,851,833	51,438,623	809,202	1,944,971	-	3,049,214	38,207	11,964,042	138,646,629
Carrying amount at 1 January 2013	14,012,771	216,102	66,568,668	50,031,119	1,112,527	2,014,318	-	3,869,728	56,006	16,757,248	154,638,487

(*) US Dollar 1,099,453, 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 IFRS 16 and IFRS 38 (Note 11) as the projects are in progress as at 31 December 2013.

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe, Çerkezköy and Topkapı are pledged against the borrowings used at an amount of US Dollar 18,500,000, TRY 20,000,000, TRY 20,000,000, US Dollar 15,750,000 and TRY 16,200,000.

(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 2014	31 December 2013
Cost of goods sold	8,646,477	10,069,688
Operating expenses	8,966,444	9,318,628
Capitalized on inventory	1,772,031	2,602,782
	19,384,952	21,991,098

11. INTANGIBLE ASSETS

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2014	123,852,336	22,860,598	4,461,863	151,174,797
Currency translation	(8,083,639)	(567,167)	(188,967)	(8,839,773)
Additions (*)	20,442,628	-	-	20,442,628
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	1,127,804	1,127,804
Disposals	(588,707)	-	-	(588,707)
At 31 December 2014	135,622,618	22,293,431	5,400,700	163,316,749
Accumulated amortization and impairment				
At 1 January 2014	(48,912,304)	(5,642,336)	(2,042,129)	(56,596,769)
Currency translation	3,101,829	430,280	180,702	3,712,811
Charge for the year	(7,691,924)	(680,702)	-	(8,372,626)
Impairment	(556,847)	-	-	(556,847)
Disposals	6,620	-	-	6,620
At 31 December 2014	(54,059,246)	(5,892,758)	(1,861,427)	(61,806,811)
Carrying amount at 31 December 2014	81,563,372	16,400,673	3,539,273	101,509,938
Carrying amount at 1 January 2014	74,940,032	17,218,262	2,419,734	94,578,028

(Amounts expressed in US Dollar.)

11. INTANGIBLE ASSETS (cont.)

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2013	129,160,784	24,583,774	3,830,605	157,575,163
Currency translation	(17,903,254)	(1,723,176)	(468,333)	(20,094,763)
Additions (*)	16,078,210	-	-	16,078,210
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	1,099,453	1,099,453
Disposals	(1,105,195)	-	-	(1,105,195)
At 31 December 2013	126,230,545	22,860,598	4,461,725	153,552,868
Accumulated amortization and impairment				
At 1 January 2013	(49,926,670)	(5,774,332)	(2,039,279)	(57,740,281)
Currency translation	6,391,398	912,700	399,651	7,703,749
Charge for the year	(7,313,048)	(780,704)	(402,501)	(8,496,253)
Impairment	(481,208)	-	-	(481,208)
Disposals	39,153	-	-	39,153
At 31 December 2013	(51,290,375)	(5,642,336)	(2,042,129)	(58,974,840)
Carrying amount at 31 December 2013	74,940,170	17,218,262	2,419,596	94,578,028
Carrying amount at 1 January 2013	79,234,114	18,809,442	1,791,326	99,834,882

(*) Additions mainly consist of own-developed 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. At the beginning of the current period, the management reviewed the useful lives of certain product lines. Based on the sales forecasts, the estimated useful lives of some of the products have been extended to 15 years. Previously all product lines had an average useful life of 10 years. License and Supply agreements have an average useful life of eight 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.

(Amounts expressed in US Dollar)

12. GOODWILL

Cost	
Balance at 1 January 2013	82,954,200
Net foreign currency translation	(309,930)
Balance at 31 December 2013	82,644,270
Balance at 1 January 2014	82,644,270
Net foreign currency translation	(125,055)
Balance at 31 December 2014	82,519,215
Accumulated impairment losses	
Balance at 1 January 2014	(2,564,340)
Net foreign currency translation	-
Balance at 31 December 2014	(2,564,340)
Carrying amount as at 31 December 2014	79,954,875
Carrying amount as at 31 December 2013	80,079,930

As at 31 December 2014, 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 10.7% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 7% per annum growth rate consisting of 6.5% inflation and real growth rate of 0.47%. 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.

As at 31 December 2014 and 2013, no impairment loss has been recognized in the accompanying consolidated financial statements.

13. INVESTMENT IN ASSOCIATES

Investments in associates	%	31 December 2014	%	31 December 2013
Lypanosys Pte Limited	21.75%	553,825	21.75%	961,135
		553,825		961,135

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

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 8,161,396 and US Dollars 5,169,748 as of 31 December 2014, respectively. For the year ended 31 December 2014 there were no revenues and the net loss was US Dollars 1,872,437.

(Amounts expressed in US Dollar)

14. BORROWINGS

	31 December 2014	31 December 2013
Short term bank loans	67,428,555	54,980,594
Current portion of long term loans	18,113,099	22,560,939
Current portion of bonds issued (*)	(40,886)	741,545
Total short term borrowings	85,500,768	78,283,078
Long term portion of bank loans	41,955,009	38,584,478
Bonds issued (*)	43,091,018	46,639,445
Total long term borrowings	85,046,027	85,223,923
Total borrowings	170,546,795	163,507,001

(*)The Group issued corporate bonds amounting to TRY 100,000,000 with three years maturity, quarterly floating interest rate and monthly coupon payments. The bonds were sold on 7 May 2013 only to qualified investors. Annual simple yield of the bond is calculated by adding 300 basis points over the annual simple yield of "reference government bond". As of issuance date, annual simple and compound bond yield were 8.09% and 8.40%, respectively.

The effective interest rate is 11.58% as at 31 December 2014 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 99,828,942.

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.

The repayments of the borrowings are as follows:

	31 December 2014	31 December 2013
On demand or within one year	85,500,768	78,283,078
In the second year	61,773,317	13,430,221
In the third year	9,800,806	61,981,802
In the fourth year	8,728,276	5,482,612
In the fifth year	4,743,628	4,329,288
	170,546,795	163,507,001

The fair value of the Group's short term borrowings approximate their carrying amounts due to the short-term nature of the instruments. The fair value of the long-term borrowings approximate their carrying amounts as the interest rates of the instruments are variable and are based on market rates.

(Amounts expressed in US Dollar)

14. BORROWINGS (cont.)

Short-term loans

Short-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2014	Currency Type	Weighted Average Interest Rate	Principal	31 December 2013
TRY	10.5%	152,669,629	65,837,091	TRY	9.1%	115,403,280	54,070,787
Accrued interest			1,591,464	Accrued interest			909,807
			67,428,555				54,980,594

Short term borrowings consist of revolving lines of credits with several banks and carry fixed rate interests. As at 31 December 2014 and 31 December 2013, the total available lines of credits were US Dollar 342,467,868 and 341,839,090, 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 2014	Currency Type	Weighted Average Interest Rate	Principal	31 December 2013
TRY	10.6%	33,402,025	14,404,254	TRY	10.3%	21,024,614	9,850,824
US Dollars	4.9%	2,944,444	2,944,444	US Dollars	5.6%	11,711,110	11,711,110
Accrued interest			764,401	Accrued interest			999,005
			18,113,099				22,560,939

Long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2014	Currency Type	Weighted Average Interest Rate	Principal	31 December 2013
TRY	11.1%	81,511,206	35,150,807	TRY	11.0%	59,842,581	28,038,505
US Dollars	5.0%	722,224	722,224	US Dollars	5.0%	3,666,668	3,666,668
EUR	4.3%	5,000,000	6,081,978	EUR	4.3%	5,000,000	6,879,305
			41,955,009				38,584,478

14. BORROWINGS (cont.)

The details of the Group's long term borrowings are as follows:

a) A loan of US Dollar 2,166,668 (2013: US Dollar 3,611,112) was drawn down on 15 February 2011. Repayments of interest and principal commenced on 14 February 2012 and will continue till 9 February 2016 on semiannual basis. The loan carries interest of 5%.

b) A loan of US Dollar 1,500,000 (2013: US Dollar 4,500,000) was drawn down on 29 March 2011. Repayments of interest and principal commenced on 29 March 2012 and will continue till 27 March 2015 on semiannual basis. The loan carries interest of 5%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of US Dollar 15,750,000 (Note 17).

c) A loan of TRY 1,717,486 (Equivalent of US Dollar 740,647) (2013: TRY 2,936,528) was drawn down on 26 January 2011. Repayments of interest and principal commenced on 25 April 2011 and will continue until 25 January 2016. The loan carries interest of 10.6%.

d) A loan of TRY 228,312 (Equivalent of US Dollar 98,457) (2013: TRY 495,376) was drawn down on 26 August 2011. Repayments of interest and principal commenced on 24 November 2011 and will continue until 24 August 2015. The loan carries interest of 15.6%.

e) A loan of TRY 790,100 (Equivalent of US Dollar 340,722) (2013: TRY 1,701,838) was drawn down on 16 September 2011. Repayments of interest and principal commenced on 14 December 2011 and will continue until 14 September 2015. The loan carries interest of 17.4%.

f) A loan of TRY 197,284 (Equivalent of US Dollar 85,077) (2013: TRY 627,511) was drawn down on 14 May 2012. Repayments of interest and principal commenced on 14 June 2012 and will continue till 14 May 2015. The loan carries interest of 13%. This loan is also secured by pledges on the purchased vehicles (Note 17).

g) A loan of TRY 8,900,000 (Equivalent of US Dollar 3,838,027) (2013: TRY 13,350,000) was drawn down on 23 October 2012. Repayments of interest and principal commenced on 23 January 2013 and will continue till 23 October 2016 quarterly. The loan carries interest of 11.2%. This loan is also secured by the Group's factory building located at Kocaeli Kartepe and other buildings' mortgages at an amount of TRY 20,000,000 (Note 17).

h) A loan of TRY 3,000,000 (Equivalent of US Dollar 1,293,717) (2013: TRY 6,000,000) was drawn down on 24 December 2012. Repayments of interest and principal commenced on 24 March 2013 and will continue until 24 December 2015 quarterly. The loan carries interest of 9.4%.

i) A loan of TRY 508,939 (Equivalent of US Dollar 219,474) (2013: TRY 1,058,877) was drawn down on 5 October 2012. Repayments of interest and principal commenced on 5 November 2012 and will continue till 5 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 17).

j) A loan of TRY 16,818 (Equivalent of US Dollar 7,253) (2013: TRY 34,992) was drawn down on 12 October 2012. Repayments of interest and principal commenced on 12 November 2012 and will continue till 12 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 17).

k) A loan of TRY 15,137 (Equivalent of US Dollar 6,527) (2013: TRY 31,494) was drawn down on 16 October 2012. Repayments of interest and principal commenced on 16 November 2012 and will continue till 16 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 17).

14. BORROWINGS (cont.)

l) A loan of TRY 15,886 (Equivalent of US Dollar 6,850) (2013: TRY 33,054) was drawn down on 19 October 2012. Repayments of interest and principal commenced on 19 November 2012 and will continue till 19 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 17).

m) A loan of TRY 47,929 (Equivalent of US Dollar 20,669) (2013: TRY 88,004) was drawn down on 15 January 2013. Repayments of interest and principal commenced on 15 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).

n) A loan of TRY 60,074 (Equivalent of US Dollar 25,906) (2013: TRY 110,274) was drawn down on 17 January 2013. Repayments of interest and principal commenced on 18 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).

o) A loan of Euro 5,000,000 (Equivalent of US Dollar 6,081,978) (2013: Euro 5,000,000) was drawn down on 10 July 2013. Principal will be commenced on 18 July 2016. Repayments of interest will be on semiannual basis. The loan carries interest of 4.3%.

p) A loan of TRY 12,960,000 (Equivalent of US Dollar 5,588,857) (2013: TRY 16,200,000) was drawn down on 1 August 2013. Repayments of interest and principal commenced on 3 February 2014 and will continue till 1 August 2018 on semiannual basis. The loan carries interest of 9.8%. This loan is also secured by the Group's two lands located at Çerkezköy at an amount of TRY 16,200,000 (Note 17).

q) A loan of TRY 7,384,615 (Equivalent of US Dollar 3,184,534) (2013: TRY 8,000,000) was drawn down on 24 October 2013. Repayments of interest and principal will be commenced on 24 October 2014 and will continue till 19 October 2017 quarterly. The loan carries interest of 11.0%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of US Dollar 15,750,000 (Note 17).

r) A loan of TRY 8,000,000 (Equivalent of US Dollar 3,449,912) (2013: TRY 10,000,000) was drawn down on 4 December 2013. Repayments of interest and principal will be commenced on 4 June 2014 and will continue till 4 December 2018 on semiannual basis. The loan carries interest of 11.5%.

s) A loan of TRY 16,000,000 (Equivalent of US Dollar 6,899,823) (2013: TRY 20,000,000) was drawn down on 10 December 2013. Repayments of interest and principal will be commenced on 10 December 2014 and will continue till 10 December 2018 on semiannual basis. The loan carries interest of 11.5%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 20,000,000 (Note 17).

a) A loan of TRY 70.651 (Equivalent of US Dollar 30,467) (2013: None.) was drawn down on 31 October 2014. Repayments of interest and principal commenced on 28 November 2014 and will continue till 31 October 2017. The loan carries interest of 11,40%. This loan is also secured by pledges on the purchased vehicles (Note 17).

b) A loan of TRY 55.000.000 (Equivalent of US Dollar 23,718,142) (2013: None.) was drawn down on 23 December 2014. Repayments of interest and principal will be commenced on 23 June 2015 and will continue till 23 December 2019 semi-annually. The loan carries interest of 11,5%. This loan is also secured by the Group's headquarter building located at Halkalı at an amount of TRY 55.000.000 (Note 17).

c) The Group has spot loans amounting to TRY 150,615,000 (Equivalent of US Dollar 64,951,054) (2013: TRY 113,370,000), with an average interest of %10.49 and have loans with no interest amounting to TRY 2,054,629 (2013: TRY 2,033,013).

The Group uses its notes receivables as collaterals for its revolving loans. As at 31 December 2014, the amount of the notes receivables given as collateral is USD 37,269,518 (31 December 2013: USD 31,519,606).

(Amounts expressed in US Dollar)

15. TRADE PAYABLES

	31 December 2014	31 December 2013
Short-term trade payables	16,068,355	16,703,594
Notes payable	1,669	1,669
	16,070,024	16,705,263

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 46 days (31 December 2013: 35 days).

16. OTHER PAYABLES AND ACCRUED EXPENSES

	31 December 2014	31 December 2013
Accrued sales discounts and free samples (*)	2,381,659	3,375,177
Accrued vacation pay	1,894,682	1,804,151
Payroll taxes and dues payable	1,385,528	1,307,212
Deferred income	1,015,531	876,965
Social security premiums payable	893,991	901,859
Accrued sales premiums and bonuses	882,136	312,131
Advances received	207,558	63,908
Accrued payroll	72,486	212,512
Other accruals and liabilities	4,321,413	3,336,262
	13,054,984	12,190,177

(*) US Dollar 874,337 of the amount relates to accrued reimbursement charges given to pharmacies and warehouses due to the price differences (2013: US Dollar 1,983,580).

	31 December 2014	31 December 2013
Deferred income (*)	7,183,953	7,075,041
	7,183,953	7,075,041

(*) 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.

(Amounts expressed in US Dollar)

17. PROVISIONS

	31 December 2014	31 December 2013
Provision for legal claims	1,779,887	2,656,029
Provision for seniority incentive and other benefits	57,500	62,500
	1,837,387	2,718,529

	Provision for seniority incentive and other benefits	Provision for legal claims	Total
At 1 January 2013	62,500	5,672,495	5,734,995
Charge for the year	-	1,682,482	1,682,482
Utilization of provision	-	(3,070,620)	(3,070,620)
Provision released	-	(693,588)	(693,588)
Translation effect	-	(934,740)	(934,740)
At 31 December 2013	62,500	2,656,029	2,718,529
At 1 January 2014	62,500	2,656,029	2,718,529
Charge for the year	-	1,003,763	1,003,763
Utilization of provision	(5,000)	(779,491)	(784,491)
Provision released	-	(888,976)	(888,976)
Translation effect	-	(211,438)	(211,438)
At 31 December 2014	57,500	1,779,887	1,837,387

The provision for seniority incentive and other benefits as at 31 December 2014 included US Dollar 57,500 relating to special termination benefits granted to certain employees of Deva immediately prior to the acquisition of EastPharma. The Group is obligated to pay these individuals incremental termination benefits and all other legal termination benefits, when the employee leaves the Group.

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.

(Amounts expressed in US Dollar.)

18. TAXATION ON INCOME

	31 December 2014	31 December 2013
Current Tax Payable:		
Current corporate and income tax	13,341	-
Effect of taxable base increase on corporate tax (*)	-	46,387
Less: Prepaid taxes and funds	-	(4,875)
	13,341	41,512

	For the year ended 31 December 2014	For the year ended 31 December 2013
Taxation:		
Current tax expense	13,341	-
Deferred tax (income) / expense	(421,071)	453,879
	(407,730)	453,879

(*) The law numbered 6111 containing the provisions regarding the tax amnesty was approved by the Parliamentary Counsel and announced at Trade Registry Gazette on 25 February 2011. Based on the provisions of the law in consideration, the Group applied for taxable base increase for 2006, 2007, 2008 and 2009. In years where taxable profit exists, corporate tax base was increased by the rates stated in law, and corporate tax is calculated by applying 20% tax rate. In years where taxable profit does not exist, corporate tax is calculated by the minimum amounts stated in law. Additionally, the Group applied for an increase in the tax base calculated over its carry forward tax losses transferred to 2010 and US Dollar 31,148,973 of carry forward tax losses which represent 50% of the total previous year losses were written off during 2011. No further audit tax will be performed for the years that the Group applied for taxable base increase.

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

	For the year ended 31 December 2014	For the year ended 31 December 2013
(Loss) / Profit before tax	(1,957,883)	1,516,263
Corporate income tax rate	0%	0%
Expected taxation	-	-
tax effects of:		
- nondeductible expenses	285,695	393,484
- non-taxable income	(2,418,914)	(3,181,331)
- effect of different tax rate of subsidiaries operating in other jurisdiction	1,725,489	3,241,726
Income tax (income) / expense per consolidated statement of income	(407,730)	453,879

18. 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.

Corporate Tax in Turkey

Turkish subsidiaries are subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the results for the year of those subsidiaries. Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Turkish corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The corporate income tax rate in 2014 and 2013 is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2014 is 20% (2013: 20%). Losses can be carried forward for offset against future taxable income for up to five years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. The income withholding tax rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2013: 20%) is used.

In Turkey, the companies cannot file a consolidated tax return, therefore subsidiaries that have deferred tax assets were not netted against subsidiaries that have deferred tax liabilities.

(Amounts expressed in US Dollar)

18. TAXATION ON INCOME (cont.)

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

	31 December 2014	31 December 2013
Basis difference on property, plant and equipment and intangible assets	(2,880,880)	(2,202,723)
R&D incentive deductions	5,653,817	4,017,183
Carry forward tax losses	3,493,482	4,237,734
Basis difference on inventory	568,643	381,799
Provision for employment termination benefits	432,476	465,471
Accrued vacation	378,936	360,830
Provision for legal cases	348,598	504,017
Amortization of discount on notes receivable and payables	270,985	353,872
Expense accruals due to price regulation	174,867	396,716
Other	1,740,374	1,359,326
Net deferred tax asset	10,181,298	9,874,225

Movement of deferred tax assets:	For the year ended 31 December 2014	For the year ended 31 December 2013
Opening balance	9,874,225	11,892,739
Charge for the year	421,071	(453,879)
Tax expense recognized in other comprehensive income	(32,437)	-
Translation effect	(81,561)	(1,564,635)
Closing balance	10,181,298	9,874,225

As at 31 December 2014 and 31 December 2013, the Group has unused tax losses of US Dollar 45,736,494 and 41,274,585 respectively, available for offset against future profits. The Group does not have any unrecognized deferred tax assets in 2014 (2013: Nil). The total amount of these assets is recognized as management estimates that these losses are recoverable based on the Group's recent forecasts and budget.

The maturity analysis of carry forward tax losses is as follows:

	31 December 2014	31 December 2013
2015	-	1,550,376
2016	12,820,173	17,221,245
2017	128,615	139,739
2018	2,106,873	2,277,308
2019 and after	2,411,750	-
	17,467,411	21,188,668

(Amounts expressed in US Dollar.)

19. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

For the subsidiaries in Turkey, according to Turkish Labor Law, Deva and its subsidiaries are required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of US Dollar 1,619 and 1,525 (TRY equivalent of 3,438 and 3,254, respectively) for each period of service as at 31 December 2014 and 31 December 2013, 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 2014 has been calculated assuming annual inflation rates of 7% and a discount rate of 11%, resulting in real discount rates of approximately 3.74% (31 December 2013: 3.74%). The anticipated rate of retirement was 90.09% (2013: 91.03%). 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 3,541 effective from 1 July 2015 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 2014	For the year ended 31 December 2013
Opening balance	2,327,356	2,889,232
Service cost	957,737	967,645
Interest cost	79,820	52,695
Benefits paid	(855,076)	(1,106,114)
Actuarial gain	(162,185)	-
Translation effect	(185,273)	(476,102)
Closing balance	2,162,379	2,327,356

(Amounts expressed in US Dollar)

20. 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 2014 US Dollars
Letters of guarantee given	TRY	31,321,129	13,506,891
	US Dollar	64,000	64,000
Promissory notes and collaterals given	TRY	73,862,500	31,852,387
	EUR	1,772,610	2,156,195
	US Dollar	12,559,834	12,559,834
Loan secured by building	US Dollar	15,750,000	15,750,000
	TRY	111,200,000	47,953,771
Pledges	TRY	932,718	402,224
			124,245,302

	Amount		31 December 2013 US Dollars
Letters of guarantee given	TRY	26,021,638	12,192,118
Promissory notes and collaterals given	TRY	55,155,000	25,842,197
	EUR	1,702,707	2,342,688
	US Dollar	22,590,545	22,590,545
Loan secured by building	US Dollar	34,250,000	34,250,000
	TRY	56,200,000	26,331,818
Pledges	TRY	1,984,206	929,675
			124,479,041

21. 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 2014 and 31 December 2013, 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 2014 (31 December 2013: 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.

Shareholder Agreement

Upon formation of the Company, an agreement was entered into by the shareholders. This agreement included an exit option for Global Equities Management ("GEM") whereby in exchange for US Dollar 1, the Company granted GEM an option to purchase additional shares up to 5% of the Company's "total issued share capital" for a price of US Dollar 5 per share. The total issued capital is based on the total issued capital of the Company immediately before the exercise of the option. The Company extended the option granted to GEM Global Equities Management SA ("GEM") in the shareholders' agreement dated 22 November 2006 entered into between, amongst others and the Company (the "Shareholders' Agreement") and amended with a deed of amendment dated 14 December 2011 which will be valid from 30 June 2013 to 30 June 2015.

The option will expire on the earlier of (i) 30 June 2015 and (ii) the transfer by the Company's shareholders of more than 50% of their shares to parties other than affiliates.

The option can be exercised at the earlier of (a) twenty business days after the first date of trading in a recognized investment exchange in which the average bid trading price reaches or exceeds US Dollar 8 per share; or (b) immediately prior to completion of a sale to a party that is not an affiliate or shareholder of the Company of either (i) all of the Company's shares; or (ii) the substantial sale of the Company's assets and liabilities that would imply that value of the Company's shares is US Dollar 8 or more per share.

If the option is exercised based on the public trading of securities, GEM has the option to receive a cash payment equal to the difference between (i) US Dollar 5 per share and (ii) the average bid trading price of the shares in the 20 business days after the exercise date of the option multiplied by the number of the shares equivalent to 5% of the total issued share capital of the Company.

Prior to the public trading of the securities, the cost of this option was deferred and recorded as deferred share issuance cost in the balance sheet. As of 31 December 2014 and 31 December 2013, the Company estimated the fair value of the call option liability as US Dollar 499 and US Dollar 643,654, respectively, and is accounted for as a derivative liability and is remeasured to fair value at each reporting date through profit and loss.

(Amounts expressed in US Dollar.)

22. REVENUE

	1 January - 31 December 2014	1 January - 31 December 2013
Human pharma revenue	194,391,080	206,786,244
Veterinary products revenue	12,933,860	6,568,334
Other revenue	3,207,827	3,770,509
	210,532,767	217,125,087

Sales amounts are presented net of sales returns and discounts.

23. COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Raw materials used	(73,521,075)	(74,979,650)
Direct labor cost	(6,686,448)	(7,658,085)
Production overheads	(36,310,928)	(35,711,726)
Depreciation and amortisation expenses	(8,646,477)	(10,069,688)
Change in work in process	(588,890)	1,065,459
Change in finished goods	(4,922,304)	(1,503,049)
	(130,676,122)	(128,856,739)

24. OPERATING EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Research and development expenses (*)	(2,015,298)	(1,976,439)
Sales and marketing expenses	(38,761,102)	(46,606,350)
General administration expenses	(22,748,691)	(25,217,922)
	(63,525,091)	(73,800,711)

(*) As of 31 December 2014, the Group realized research and development expense amounting to US Dollars 2,410,643 for tangible assets and US Dollars 15,428,002 for intangible assets with the total amount of US Dollars 17,838,645 (31 December 2013: US Dollars 17,538,763). As at the balance sheet date US Dollars 10,956,834 of the amount is from government grants and incentives (31 December 2013: US Dollars 14,048,228). Of this total amount US Dollars 15,823,347 was capitalized on intangible development costs (31 December 2013: US Dollars 15,562,324).

(Amounts expressed in US Dollar)

24. OPERATING EXPENSES (cont.)

	1 January - 31 December 2014	1 January - 31 December 2013
Employee benefits expense	(33,047,430)	(39,443,625)
Promotional and advertising expense	(9,392,367)	(12,156,465)
Depreciation and amortization expense	(8,966,444)	(9,318,628)
Transportation expense	(3,558,514)	(3,797,731)
Rent expense	(3,354,108)	(4,645,140)
Consultancy expense	(1,267,839)	(1,582,756)
Other operating expenses	(10,792,407)	(9,677,775)
	(70,379,109)	(80,622,120)
Capitalized development costs	6,854,018	6,821,409
	(63,525,091)	(73,800,711)

25. INVESTMENT REVENUE

	1 January - 31 December 2014	1 January - 31 December 2013
Amortization of discount on payables	21,842,393	24,306,427
Interest received from sales with deferred settlement terms	160,611	78,295
Interest income	681,177	370,572
	22,684,181	24,755,294

26. FINANCE COSTS (net)

	1 January - 31 December 2014	1 January - 31 December 2013
Interest on bank borrowings	(12,704,938)	(9,380,035)
Foreign exchange loss on borrowings	(689,304)	(5,495,184)
Bond interest and expenses	(5,083,981)	(4,002,556)
Gain on derivative financial instruments	209,395	105,962
Amortization of discount on receivables	(21,555,186)	(24,479,691)
Other interest expense	(472,543)	(385,569)
	(40,296,557)	(43,637,073)

(Amounts expressed in US Dollar)

27. OTHER GAINS AND LOSSES

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange (loss) / gain	(1,302,724)	3,311,853
Change in fair value of call option liability (Note 21)	643,155	(572,616)
Gain on disposal of property, plant and equipment (*)	306,137	3,054,909
Other	83,681	597,360
	(269,751)	6,391,506

(*) USD 2,725,236 of gain on sale of property, plant and equipment has been obtained from the dispose of inactive Topkapı production facility on 9 December 2013, amounting to TRY 14,100,000. Disposed amount has been collected in cash advance.

28. LOSS FROM INVESTMENT IN ASSOCIATES

The operations of Lypanosys are limited as at 31 December 2014. The details are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	-	-
Loss for the year	(1,872,437)	(2,119,717)
Group's share on loss of the associate	(407,310)	(461,101)

The Group's share on total assets and liabilities is US Dollars 1,775,345 and US Dollars 1,995,770, respectively.

29. 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.

(Amounts expressed in US Dollar)

29. 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 2014	Human pharma	Veterinary products	Other	Total
External sales	194.391.080	12.933.860	3.207.827	210.532.767
Cost of sales	(118.687.620)	(9.356.197)	(2.632.305)	(130.676.122)
Operating expenses	(59.909.513)	(3.195.496)	(420.082)	(63.525.091)
Segment results	15.793.947	382.167	155.440	16.331.554
Investment revenue				22.684.181
Finance costs				(40.296.557)
Other gains and losses				(269.751)
Loss from investment in associates				(407.310)
Loss before tax				(1.957.883)
Tax income				407.730
Net loss for the year				(1.550.153)

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 26% and 36%. Net human pharma revenues attributed to these wholesalers were US Dollar 48,209,663 and US Dollar 68,212,283, respectively.

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

For the year ended 31 December 2013	Human pharma	Veterinary products	Other	Total
External sales	206,786,244	6,568,334	3,770,509	217,125,087
Cost of sales	(121,647,702)	(4,250,770)	(2,958,267)	(128,856,739)
Operating expenses	(70,374,261)	(3,049,618)	(376,832)	(73,800,711)
Segment results	14,764,281	(732,054)	435,410	14,467,637
Investment revenue				24,755,294
Finance costs				(43,637,073)
Other gains and losses				6,391,506
Loss from investment in associates				(461,101)
Profit before tax				1,516,263
Tax expense				(453,879)
Net profit for the year				1,062,384

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 30% and 34%. Net human pharma revenues attributed to these wholesalers were US Dollar 60,872,146 and US Dollar 68,405,811, respectively.

(Amounts expressed in US Dollar)

30. OPERATING LEASE ARRANGEMENTS

Operating lease commitments

	For the year ended 31 December 2014	For the year ended 31 December 2013
Minimum lease payments under operating leases recognized as an expense in the related year	2,331,240	3,198,877
	2,331,240	3,198,877

At the balance sheet date, the Group has outstanding commitments under non-cancelable operating leases, which fall due as follows:

	EUR	TRY	31 December 2014
Not longer than 1 year	866,026	2,683,816	2,210,796
Longer than 1 year and not longer than 5 years	866,675	5,523,744	3,436,273
	1,732,700	8,207,560	5,647,069

	EUR	TRY	31 December 2013
Not longer than 1 year	645,419	1,707,908	1,688,226
Longer than 1 year and not longer than 5 years	1,059,817	-	1,458,161
	1,705,236	1,707,908	3,146,387

Operating lease payments represent rentals payable by the Group for certain of its vehicles and for the rented buildings and warehouses. Leases are negotiated for an average term of three years and increases are at a fixed rate and expense is recognized on a straight-line basis over the lease term.

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 2014	For the year ended 31 December 2013
Weighted average number of shares	67,650,000	67,650,000
Net loss for the year attributable to the shareholders	(1,617,948)	(529,423)
Earnings per share	(0.02)	(0.01)

(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 2014	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	5,299,112	7,854,136	1,656,216	2,961	16,528,513
Trade receivables	2,514,826	102,216	-	-	2,639,161
Other assets	1,889,580	1,778,538	124,780	207,261	4,500,301
Total Assets	9,703,518	9,734,890	1,780,996	210,222	23,667,975
Trade payables	261,197	1,858,171	3,059,443	84,518	5,739,422
Short-term borrowings	2,944,444	-	-	-	2,944,444
Long-term borrowings	722,224	5,000,000	-	-	6,804,203
Other payables and accrued expenses	-	-	468,940	-	473,146
Total Liabilities	3,927,865	6,858,171	3,528,383	84,518	15,961,215
Net foreign currency position	5,775,653	2,876,719	(1,747,387)	125,704	7,706,760

31 December 2013	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	9,971,233	14,079,783	4,099,659	7,935	33,946,738
Trade receivables	2,026,375	-	-	-	2,026,375
Other assets	2,424,159	3,723,203	392,790	32,519	8,040,099
Total Assets	14,421,767	17,802,986	4,492,449	40,454	44,013,212
Trade payables	144,470	782,475	3,015,561	12,646	4,618,552
Short-term borrowings	11,711,110	-	-	-	11,711,110
Long-term borrowings	3,666,668	5,000,000	-	-	10,545,973
Other payables and accrued expenses	-	6,644	-	1,153,231	1,906,464
Total Liabilities	15,522,248	5,789,119	3,015,561	1,165,877	28,782,099
Net foreign currency position	(1,100,481)	12,013,867	1,476,888	(1,125,423)	15,231,113

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 2014, the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio within 35% to 50%.

(b) Significant accounting policies

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

(Amounts expressed in US Dollar)

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories

31 December 2014	Loans and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	23,333,264	-	-	23,333,264	5
Trade receivables	79,327,703	-	-	79,327,703	6
Financial liabilities					
Borrowings	-	-	170,546,795	170,546,795	14
Trade payables (including related parties)	-	-	16,094,961	16,094,961	7-15
Call option liability	-	499	-	499	21
31 December 2013					
Financial assets					
Cash and cash equivalents	34,009,755	-	-	34,009,755	5
Trade receivables	78,650,883	-	-	78,650,883	6
Financial liabilities					
Borrowings	-	-	163,507,001	163,507,001	14
Trade payables (including related parties)	-	-	16,732,012	16,732,012	7-15
Liabilities due to tax amnesty	-	-	198,443	198,443	
Call option liability	-	643,654	-	643,654	21

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

(Amounts expressed in US Dollar)

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories (cont.)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

• Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

• Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follow:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL:				
Call option liability	-	499	-	499

31 December 2013	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL:				
Call option liability	-	643,654	-	643,654

There have been no transfers between Level 1, 2 or 3 during the year ended 31 December 2014 and 31 December 2013.

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 10% devaluation in the exchange rate of USD against TRY and EUR against TRY. 10% 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 10% 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.

	Year ended 31 December 2014	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(1,071,453)	(649,149)

	Year ended 31 December 2013	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Gain / (Loss)	187,901	(2,822,298)

The equity effect of 10% devaluation in the exchange rate of USD against TRY is US Dollar 13,072,204 as the functional currencies of Turkish subsidiaries is 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 2014, 25% of total indebtedness was floating rate and mainly denominated in Turkish Lira. 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 year ended at 31 December 2014 would decrease by US Dollar 194,413 net of tax (31 December 2013: US Dollar 136,917). 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.

(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 2014	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	170,546,795	193,727,618	37,563,624	45,428,741	4,291,920	6,926,592	36,736,885	62,779,856
Trade payables	16,070,024	16,128,184	16,080,750	47,434	-	-	-	-
Due to related parties	24,937	24,937	24,937	-	-	-	-	-
	186,641,756	209,880,739	53,669,311	45,476,175	4,291,920	6,926,592	36,736,885	62,779,856

31 December 2013	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	163,507,001	189,174,181	52,987,899	15,973,703	7,461,046	10,079,430	88,321,365	14,350,738
Liabilities due to tax amnesty	198,443	254,930	184,888	-	-	-	70,042	-
Trade payables	16,705,263	16,782,880	16,597,745	185,135	-	-	-	-
Due to related parties	26,749	26,749	26,749	-	-	-	-	-
	180,437,456	206,238,740	69,797,281	16,158,838	7,461,046	10,079,430	88,391,407	14,350,738

34. SUBSEQUENT EVENTS

None.