EASTPHARMA LTD.
AND ITS SUBSIDIARIES

Consolidated Financial Statements
For The Year Ended
31 December 2013

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
EastPharma Ltd.

We have audited the accompanying consolidated financial statements of EastPharma Ltd. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's 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 about whether the consolidated 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of EastPharma Ltd. and its subsidiaries as at 31 December 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SMMM A.Ş.

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

İstanbul, 10 March 2014

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

(Amounts expressed in US Dollar.)

ASSETS

CURRENT ASSETS	Notes	31 December 2013	31 December 2012
Cash and cash equivalents	5	34,009,755	18,158,807
Trade and other receivables	6	78,650,883	106,301,781
Inventories	8	77,392,710	75,065,089
Other current assets	9	9,314,852	13,468,943
Total Current Assets		**199,368,200**	**212,994,620**
NON-CURRENT ASSETS			
Property, plant and equipment	10	138,646,629	154,638,487
Intangible assets	11	94,578,028	99,834,882
Goodwill	12	80,079,930	80,389,860
Investments in associates	13	960,318	1,422,236
Deferred tax assets	18	9,874,225	11,892,739
Other non-current assets	9	44,326	-
Total Non-Current Assets		**324,183,456**	**348,178,204**
TOTAL ASSETS		**523,551,656**	**561,172,824**

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

EASTPHARMA LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

(Amounts expressed in US Dollar.)

LIABILITIES AND EQUITY

CURRENT LIABILITIES	**Notes**	**31 December 2013**	**31 December 2012**
Short-term borrowings	14	78,283,078	120,597,011
Trade payables	15	16,705,263	18,550,502
Due to related parties	7	26,749	31,216
Provisions	17	2,718,529	5,542,503
Other payables and accrued expenses	16	12,190,177	14,868,377
Current tax payable	18	41,512	159,254
Call option liability	21	643,654	71,038
Total Current Liabilities		**110,608,962**	**159,819,901**
NON-CURRENT LIABILITIES			
Long-term borrowings	14	85,223,923	30,226,268
Provision for employment termination benefits	19	2,327,356	2,889,232
Provisions	17	-	192,492
Deferred income	16	7,075,041	7,528,613
Total Non-Current Liabilities		**94,626,320**	**40,836,605**
TOTAL LIABILITIES		**205,235,282**	**200,656,506**
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		(66,496,890)	(65,967,467)
Foreign currency translation reserve		(110,441,933)	(60,046,573)
Equity attributable to equity holders of the parent		**262,300,870**	**313,225,653**
Non-controlling interests		56,015,504	47,290,665
Total Equity		**318,316,374**	**360,516,318**
TOTAL LIABILITIES AND EQUITY		**523,551,656**	**561,172,824**

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 2013

(Amounts expressed in US Dollar.)

	Notes	1 January – 31 December 2013	1 January – 31 December 2012
Revenue	22	217,125,087	231,983,492
Cost of sales	23	(128,856,739)	(132,939,563)
Gross profit		**88,268,348**	**99,043,929**
Operating expenses	24	(73,800,711)	(69,542,183)
Investment revenue	25	24,755,294	26,759,555
Finance costs	26	(43,637,073)	(39,734,069)
Other gains and losses	27	6,391,506	561,683
Loss from investment in associates	28	(461,101)	(740,352)
Profit before tax		**1,516,263**	**16,348,563**
Current tax expense	18	-	(229,271)
Deferred tax expense	18	(453,879)	(4,520,263)
Tax expense		**(453,879)**	**(4,749,534)**
Net profit for the year		**1,062,384**	**11,599,029**
Attributable to:			
Equity holders of the parent		(529,423)	9,075,962
Non-controlling interests		1,591,807	2,523,067
		1,062,384	**11,599,029**
Basic and diluted earnings per share (US Dollar)	31	(0.01)	0.13

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 2013

(Amounts expressed in US Dollar.)

	1 January – 31 December 2013	1 January – 31 December 2012
Net income for the year	1,062,384	11,599,029
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(43,262,328)	13,928,352
Total comprehensive (loss) / income for the year	**(42,199,944)**	**25,527,381**
Total comprehensive (loss) / income attributable to:		
Equity holders of the parent	(50,924,783)	25,511,230
Non-controlling interests	8,724,839	16,151
	(42,199,944)	**25,527,381**

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 2013

(Amounts expressed in US Dollar.)

	Notes	Number of shares	Share capital	Premium in excess of par	Legal reserves	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance as of 1 January 2012	21	67,650,000	338,250,000	99,774,445	1,215,248	(76,481,841)	(75,043,429)	287,714,423	47,274,514	334,988,937
Currency translation		-	-	-	-	16,435,268	-	16,435,268	(2,506,916)	13,928,352
Net profit for the year		-	-	-	-	-	9,075,962	9,075,962	2,523,067	11,599,029
Total comprehensive income		-	-	-	-	16,435,268	9,075,962	25,511,230	16,151	25,527,381
Balance as of 31 December 2012		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
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 (loss) / income		-	-	-	-	(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

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 2013

(Amounts expressed in US Dollar.)

	Notes	1 January-31 December 2013	1 January-31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		1,062,384	11,599,029
Adjustments to reconcile net profit to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	10	10,892,063	10,218,659
Amortization of intangible assets	11	8,496,253	9,144,826
Impairment losses on intangible assets	11	481,208	442,705
Loss from investment in associates	28	461,101	740,352
Provision for employment termination benefits	19	1,020,340	1,190,848
Gain on sale and disposal of property, plant and equipment and intangible assets	27	(3,054,909)	(537,016)
(Gain) / loss on derivative financial instruments	26	(105,962)	2,750,985
Allowance for doubtful receivables	6	-	668
Amortization of discount on receivables and payables	25, 26	173,264	310,690
Change in fair value of call option liability	27	572,616	(262,296)
Provisions	17	988,894	(303,625)
Bank loans interest expense	26	9,765,604	13,553,163
Bonds issued interest expense	26	4,002,556	-
Change in allowance for diminution in value of inventories	8	268,589	(1,889,803)
Realized foreign exchange loss / (gain)	26, 27	2,183,331	(3,118,046)
Interest income	25	(370,572)	(354,897)
Interest income from deferred settlement term sales	25	(78,295)	(172,654)
Tax expense	18	453,879	4,749,534
Changes in working capital:			
Increase in trade and other receivables		(17,262,736)	(40,044,217)
Increase in inventories		(18,230,727)	(4,198,265)
Decrease in other current assets		1,799,919	5,780,085
Increase in trade payables		29,920,066	24,031,033
(Decrese) / increase in due to related parties		(4,467)	4,608
Increase / (decrease) in other payables and accrued expenses		1,220,953	(1,981,759)
Cash generated from operations		**34,655,352**	**31,654,607**
Income tax paid		(423,276)	(587,047)
Interest paid		(11,401,534)	(12,576,653)
Provisions utilized	17	(3,070,620)	(3,602,094)
Employment termination benefits paid	19	(1,106,114)	(804,384)
Net cash provided by operating activities		**18,653,808**	**14,084,429**

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 2013

(Amounts expressed in US Dollar.)

	Notes	1 January-31 December 2013	1 January-31 December 2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(26,777,437)	(27,597,410)
Purchases of intangible assets	11	(15,675,378)	(11,026,751)
Proceeds on disposal of intangible assets		1,066,042	-
Proceeds on disposal of property, plant and equipment		8,208,020	852,831
Interest received	25	448,867	527,551
Net cash used in investing activities		**(32,729,886)**	**(37,243,779)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		305,859,955	278,290,971
Repayment of borrowings		(320,228,022)	(251,575,124)
Bond issued		46,520,343	-
Net cash provided by financing activities		**32,152,276**	**26,715,847**
NET CHANGES IN CASH AND CASH EQUIVALENTS		18,076,198	3,556,497
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		18,158,807	14,689,453
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,225,250)	(87,143)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**34,009,755**	**18,158,807**

Changes in working capital include currency translation of US Dollar (27,052,882) (1 January – 31 December 2012: US Dollar 12,441,823). The distribution of the currency translation effect for the period is as follows:

	1 January-31 December 2013	1 January-31 December 2012
Trade and other receivables	(44,913,634)	(22,457,348)
Inventories	(15,903,106)	6,671,466
Other current assets	(2,354,172)	6,432,929
Trade payables	31,765,305	25,297,477
Other payables and accrued expenses	4,352,725	(3,502,701)
	(27,052,882)	12,441,823

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

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 139 pharmaceutical molecules in 277 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 2013 and 2012 are as follows:

	Ownership %		Place of incorporation	Principal activity
Direct holdings:	31 December 2013	31 December 2012		
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 21.8% (2012: 21.8 %) 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 subsidiary of EastPharma is Deva Holding A.Ş., of which 82,2% of the shares are held.

A summary of financial statements of Deva is as follows;

Deva Holding	31 December 2013	31 December 2012
Current assets	186,732,394	197,728,812
Non-current assets	200,926,034	208,303,050
Current liabilities	(103,880,142)	(152,717,767)
Non-current liabilities	(94,611,034)	(40,697,131)
Equity attributable to equity holders of the parent	(189,200,315)	(212,660,444)
Non-controlling interests	33,063	43,480

	1 January-31 December 2013	1 January-31 December 2012
Sales	221,186,642	234,073,919
Expenses	(207,979,222)	(214,967,546)
Net profit for the year	13,207,420	19,106,373
Attributable to:		
Equity attributable to equity holders of the parent	13,199,541	19,105,437
Non-controlling interests	7,879	936
Net profit for the year	13,207,420	19,106,373
Net profit for the year	13,207,420	19,106,373
Foreign currency translation	(88,487)	(30,378)
Total comprehensive income for the year	13,118,933	19,075,995
Total comprehensive income attributable to:	**13,118,933**	**19,075,995**
Equity attributable to equity holders of the parent	7,879	936
Non-controlling interests	13,111,054	19,075,059
	13,118,933	19,075,995

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 60 registered products and 76 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 following new and revised Standards and Interpretations have been adopted in the current period in these consolidated financial statements. Details of other standards and interpretations adopted in these consolidated financial statements but that have had no material impact on the consolidated financial statements are set out in Section 2.3.

2.1 New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.2 New and Revised IFRSs affecting the reported financial performance and/or financial position

None.

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

2.3 New and Revised IFRSs applied with no material effect on the consolidated financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope.

Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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

2.3 New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont.)

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

As the effect of the IAS 19 on other comprehensive income is insignificant, it was not restated on the consolidated financial statements.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 32 Financial Instruments: Presentation; and
- Amendments to IAS 34 Interim Financial Reporting.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The amendments to IAS 32 did not have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Group's consolidated financial statements.

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

2.4 New and Revised IFRSs in issue but not yet effective (cont.)

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*
Amendments to IFRS 10, 11, IAS 27	*Investment Entities*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements to 2010-2012 Cycle	*IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24*[2]
Annual Improvements to 2011-2013 Cycle	*IFRS 1, IFRS 3, IFRS 13, IAS 40*[2]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

Amendments to IFRS 10, 11, IAS 27 Investment Entities

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of IFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

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

2.4 New and Revised IFRSs in issue but not yet effective (cont.)

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Annual Improvements to 2010-2012 Cycle

IFRS 2
Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3
Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8
Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13
Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38
Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24
Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1
Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3
Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13
Clarify the scope of the portfolio exception in paragraph 52.

IAS 40
Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

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). 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 joint venture.

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 subsequent periods.

On disposal of the relevant cash-generating unit, 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
Land improvements	15
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 other than 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 2013 US Dollar 402,832 (31 December 2012: US Dollar 403,997) amount was capitalized on qualifying assets. The weighted average capitalization rate on funds borrowed generally is 6% per annum (2012: 4% 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 profit or loss and other 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 2013 and 31 December 2012 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.

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.

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 2013, 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 2013 was US Dollar 29,208,139 (31 December 2012: US Dollar 25,025,602) and US Dollar 481,208 (31 December 2012: US Dollar 442,705) impairment loss was recognized in the year ended 31 December 2013.

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 2013, 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 10.6% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 6.6% per annum growth rate consisting of 5% inflation and real growth rate of 1.52%.

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 2013 and 2012, 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 profit or loss and other 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 1,497,014. If the change had not been done the current year amortization charge would be USD 3,094,010. 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.

5. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Petty cash	28,422	47,733
Demand deposits	4,820,096	5,307,123
Time deposits	29,161,237	12,803,951
	34,009,755	18,158,807

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 (as of 31 December 2012 the Group's time deposits were only in US Dollar, and the average interest rate was 2.23%). 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 2013, the Group does not have any cash deposits pledged against the bank loans used (31 December 2012: 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 2013, two customers each represented 32% and 30% of the total trade and other receivables balance, respectively (31 December 2012: 30% and 35%, respectively).

	31 December 2013	31 December 2012
Trade receivables	19,814,308	25,680,085
Notes receivable	58,760,946	80,582,049
Other receivables	75,629	39,647
	78,650,883	106,301,781

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

As at 31 December 2013 and 2012, the Group made provision in full for it's 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 2013, the average credit period on sales was 134 days (31 December 2012: 129 days).

Movement of allowance for doubtful receivables in value for the years ended 31 December 2013 and 2012 is as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Balance at 1 January	3,932,176	3,711,518
Provision charge	-	-
Reversal of provision	-	(668)
Translation effect	(647,963)	221,326
Balance at 31 December	3,284,213	3,932,176

Impaired receivables have an aging of more than two years as at 31 December 2013 and 2012.

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.

6. TRADE AND OTHER RECEIVABLES (cont.)

Collateral received in relation to trade receivables were as follows:

	31 December 2013	31 December 2012
Letters of guarantees	7,139,299	8,572,643

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 2013	31 December 2012
Benefits payable to the Board of Directors and individual shareholders	26,749	31,216
	26,749	31,216

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 2013	For the year ended 31 December 2012
Short-term benefits	5,045,603	3,479,319
Employment termination benefits	57,362	51,932
Total compensation	5,102,965	3,531,251

8. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	41,479,721	36,419,491
Work-in-progress	9,128,814	8,063,355
Finished goods	24,885,074	26,388,123
Trade goods	-	1,265
Goods in transit	2,583,889	4,691,168
Allowance for diminution in value of inventories	(684,788)	(498,313)
	77,392,710	75,065,089

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
Opening balance	498,313	2,253,722
Charge for the year	1,229,912	121,404
Provisions utilized	(961,323)	(2,011,207)
Translation effect	(82,114)	134,394
Closing balance	684,788	498,313

9. OTHER CURRENT AND NON CURRENT ASSETS

Other current assets	31 December 2013	31 December 2012
Value added tax (VAT) receivable	6,170,354	10,426,018
Business advances given	234,818	140,995
Income accruals (*)	1,145,006	832,720
Prepaid expenses	1,084,180	1,326,611
Prepaid taxes	203,779	329,164
Other assets	476,715	413,435
	9,314,852	13,468,943

(*) 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 2013	31 December 2012
Income accruals	44,326	-
	44,326	-

(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 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

(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 2012	13,160,811	271,824	67,732,858	70,283,957	1,874,478	71,622	244,774	6,410,393	127,693	6,349,981	166,528,391
Currency translation	435,559	16,209	4,041,530	4,191,172	111,779	4,271	14,597	382,264	7,614	297,540	9,502,535
Additions	416,401	-	-	3,614	-	2,010,724	-	1,197,718	3,475	23,965,478	27,597,410
Transfers	-	-	2,416,076	11,439,675	-	-	-	-	-	(13,855,751)	-
Disposals	-	-	-	(1,268,679)	-	(54,675)	(215,726)	(77,767)	-	-	(1,616,847)
At 31 December 2012	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
Accumulated depreciation											
At 1 January 2012	-	(50,286)	(5,568,052)	(23,673,465)	(960,146)	(18,487)	(227,993)	(2,736,564)	(68,007)	-	(33,303,000)
Currency translation	-	(2,998)	(332,034)	(1,411,696)	(57,256)	(1,102)	(13,596)	(163,187)	(4,150)	-	(1,986,019)
Depreciation capitalized in intangible assets (Note 11)	-	-	-	(1,123,830)	-	-	-	-	-	-	(1,123,830)
Depreciation charge for the year	-	(18,647)	(1,721,710)	(9,422,487)	143,672	(16,522)	(17,782)	(1,197,185)	(10,619)	-	(12,261,280)
Disposals	-	-	-	1,012,858	-	18,487	215,726	54,056	-	-	1,301,127
At 31 December 2012	-	(71,931)	(7,621,796)	(34,618,620)	(873,730)	(17,624)	(43,645)	(4,042,880)	(82,776)	-	(47,373,002)
Carrying amount at 31 December 2012	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
Carrying amount at 1 January 2012	13,160,811	221,538	62,164,806	46,610,492	914,332	53,135	16,781	3,673,829	59,686	6,349,981	133,225,391

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 2013	31 December 2012
Cost of goods sold	10,069,688	9,307,275
Operating expenses	9,318,628	10,056,210
Capitalized on inventory	2,602,782	2,042,621
	21,991,098	21,406,106

11. INTANGIBLE ASSETS

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2013	126,782,575	24,583,774	3,830,743	155,197,092
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	123,852,336	22,860,598	4,461,863	151,174,797
Accumulated amortization and impairment				
At 1 January 2013	(47,548,599)	(5,774,332)	(2,039,279)	(55,362,210)
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	(48,912,304)	(5,642,336)	(2,042,129)	(56,596,769)
Carrying amount at 31 December 2013	74,940,032	17,218,262	2,419,734	94,578,028
Carrying amount at 1 January 2013	79,233,976	18,809,442	1,791,464	99,834,882

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2012	110,013,904	24,071,706	2,546,971	136,632,581
Currency translation	5,337,923	512,068	159,942	6,009,933
Additions (*)	11,430,748	-	-	11,430,748
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	1,123,830	1,123,830
At 31 December 2012	126,782,575	24,583,774	3,830,743	155,197,092
Accumulated amortization and impairment				
At 1 January 2012	(37,729,930)	(4,703,370)	(1,404,542)	(43,837,842)
Currency translation	(1,632,146)	(239,872)	(64,819)	(1,936,837)
Charge for the year	(7,743,818)	(831,090)	(569,918)	(9,144,826)
Impairment	(442,705)	-	-	(442,705)
At 31 December 2012	(47,548,599)	(5,774,332)	(2,039,279)	(55,362,210)
Carrying amount at 31 December 2012	79,233,976	18,809,442	1,791,464	99,834,882
Carrying amount at 1 January 2012	72,283,974	19,368,336	1,142,429	92,794,739

(*) Additions mainly consist of own-developed and in-licensed products.

11. INTANGIBLE ASSETS (cont.)

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 year, 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.

12. GOODWILL

Cost	
Balance at 1 January 2012	82,247,783
Net foreign currency translation	706,417
Balance at 31 December 2012	82,954,200
Balance at 1 January 2013	82,954,200
Net foreign currency translation	(309,930)
Balance at 31 December 2012	82,644,270
Accumulated impairment losses	
Balance at 1 January 2013	(2,564,340)
Net foreign currency translation	-
Balance at 31 December 2013	(2,564,340)
Carrying amount as at 31 December 2013	80,079,930
Carrying amount as at 31 December 2012	80,389,860

As at 31 December 2013, 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 10.6% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 6.6% per annum growth rate consisting of 5% inflation and real growth rate of 1.52%. This growth rate is parallel with the long-term average growth rate for the pharmaceutical industry. 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 2013 and 2012, no impairment loss is recognized in the accompanying consolidated financial statements.

13. INVESTMENT IN ASSOCIATES

Investments in associates	%	31 December 2013	%	31 December 2012
Lypanosys Pte Limited	21.8%	960,318	21.8%	1,422,236
		960,318		1,422,236

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 21.8% 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 significant influence 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 9,174,707 and US Dollars 4,000,903 as of 31 December 2013, respectively. For the year ended 31 December 2013 there were no revenues and the net loss was US Dollars 2,119,717 (31 December 2012: US Dollars 3,403,453).

14. BORROWINGS

	31 December 2013	31 December 2012
Short term bank loans	54,980,594	94,395,203
Current portion of long term loans	22,560,939	26,201,808
Current portion of bonds issued (*)	741,545	-
Total short term borrowings	78,283,078	120,597,011
Long term portion of bank loans	38,584,478	30,226,268
Bonds issued (*)	46,639,445	-
Total long term borrowings	85,223,923	30,226,268
Total borrowings	163,507,001	150,823,279

(*)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 11,18% as at 31 December 2013 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 101.125.245.

14. BORROWINGS (cont.)

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 2013	31 December 2012
On demand or within one year	78,283,078	120,597,011
In the second year	13,430,221	17,926,164
In the third year	61,981,802	8,879,014
In the fourth year	5,482,612	3,421,090
In the fifth year	4,329,288	-
	163,507,001	150,823,279

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.

14. BORROWINGS (cont.)

Short-term loans

Short-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2013	Currency Type	Weighted Average Interest Rate	Principal	31 December 2012
TRY	9.1%	115,403,280	54,070,787	TRY	8.3%	166,863,186	93,606,634
Accrued interest			909,807	Accrued interest			788,569
			54,980,594				94,395,203

Short term borrowings consist of revolving lines of credits with several banks and carry fixed rate interests. As at 31 December 2013 and 31 December 2012, the total available lines of credits were US Dollar 341,839,090 and 343,518,787, 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 2013	Currency Type	Weighted Average Interest Rate	Principal	31 December 2012
TRY	10.3%	20,737,427	9,716,266	TRY	10.7%	11,436,138	6,415,426
US Dollars	5.6%	11,711,110	11,711,110	US Dollars	5.4%	19,194,444	19,194,444
Accrued interest			1,133,563	Accrued interest			591,938
			22,560,939				26,201,808

Long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2013	Currency Type	Weighted Average Interest Rate	Principal	31 December 2012
TRY	11.0%	59,842,581	28,038,505	TRY	11.2%	26,468,918	14,848,490
US Dollars	5.0%	3,666,668	3,666,668	US Dollars	5.5%	15,377,778	15,377,778
EUR	4.3%	5,000,000	6,879,305	EUR	-	-	-
			38,584,478				30,226,268

14. BORROWINGS (cont.)

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

a) A loan of US Dollar 3,600,000 (2012: US Dollar 7,200,000) was drawn down on 24 December 2010. Repayments of interest and principal commenced on 24 June 2011 and will continue until 24 December 2014 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 TRY 20,000,000 (Note 20).

b) A loan of US Dollar 1,000,000 (2012: US Dollar 2,000,000) was drawn down on 24 December 2010. Repayments of interest and principal commenced on 24 June 2011 and will continue until 24 December 2014 on semiannual basis. The loan carries interest of 5%.

c) A loan of US Dollar 3,611,112 (2012: US Dollar 5,055,556) was drawn down on 15 February 2011. Repayments of interest and principal commenced on 14 February 2012 and will continue until 9 February 2016 on semiannual basis. The loan carries interest of 5%.

d) A loan of US Dollar 4,500,000 (2012: US Dollar 7,500,000) was drawn down on 29 March 2011. Repayments of interest and principal commenced on 29 March 2012 and will continue until 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 20).

e) A loan of TRY 2,936,528 (Equivalent of US Dollar 1,375,875) (2012: TRY 4,040,611) 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%.

f) A loan of TRY 199,247 (Equivalent of US Dollar 93,355) (2012: TRY 957,159) was drawn down on 11 March 2011. Repayments of interest and principal commenced on 8 June 2011 and will continue until 21 February 2014. The loan carries interest of 9.7%.

g) A loan of TRY 495,376 (Equivalent of US Dollar 232,102) (2012: TRY 724,913) was drawn down on 26 August 2011. Repayments of interest and principal commenced on 24 November 2011 and will continue until 24 August 2014. The loan carries interest of 15.6%.

h) A loan of TRY 1,701,838 (Equivalent of US Dollar 797,375) (2012: TRY 2,469,527) 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%.

i) A loan of US Dollar 2,666,666 (2012: US Dollar 5,333,334) was drawn down on 28 December 2011. Repayments of interest and principal commenced on 28 April 2012 and will continue until 29 December 2014 quarterly. The loan carries interest of 8%.

j) A loan of TRY 627,511 (Equivalent of US Dollar 294,013) (2012: TRY 1,001,747) was drawn down on 14 May 2012. Repayments of interest and principal commenced on 14 June 2012 and will continue until 14 May 2015. The loan carries interest of 13.0%.

k) A loan of TRY 13,350,000 (Equivalent of US Dollar 6,254,978) (2012: TRY 17,800,000) was drawn down on 23 October 2012. Repayments of interest and principal commenced on 23 January 2013 and will continue until 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 20).

l) A loan of TRY 6,000,000 (Equivalent of US Dollar 2,811,226) (2012: TRY 9,000,000) 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%.

14. BORROWINGS (cont.)

m) A loan of TRY 1,058,877 (Equivalent of US Dollar 496,124) (2012: TRY 1,549,400) was drawn down on 05 October 2012. Repayments of interest and principal commenced on 05 November 2012 and will continue until 05 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 20).

n) A loan of TRY 34,992 (Equivalent of US Dollar 16,395) (2012: TRY 51,202) was drawn down on 12 October 2012. Repayments of interest and principal commenced on 12 November 2012 and will continue until 12 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 20).

o) A loan of TRY 31,494 (Equivalent of US Dollar 14,756) (2012: TRY 46,094) was drawn down on 16 October 2012. Repayments of interest and principal commenced on 16 November 2012 and will continue until 16 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 20).

p) A loan of TRY 33,054 (Equivalent of US Dollar 15,487) (2012: TRY 48.368) was drawn down on 19 October 2012. Repayments of interest and principal commenced on 19 November 2012 and will continue until 19 October 2015. The loan carries interest of 10.8%. This loan is also secured by pledges on the purchased vehicles (Note 20).

q) A loan of TRY 88,004 (Equivalent of US Dollar 41,233) (2012: None) was drawn down on 15 January 2013. Repayments of interest and principal commenced on 15 February 2013 and will continue until 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 20).

r) A loan of TRY 110,274 (Equivalent of US Dollar 51,668) (2012: None) was drawn down on 17 January 2013. Repayments of interest and principal commenced on 18 February 2013 and will continue until 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 20).

s) A loan of Euro 5,000,000 (Equivalent of US Dollar 6,879,305) (2012: None) 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%.

t) A loan of TRY 16,200,000 (Equivalent of US Dollar 7,590,311) (2012: None) 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).

u) A loan of TRY 8,000,000 (Equivalent of US Dollar 3,748,302) (2012: None) 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).

v) A loan of TRY 10,000,000 (Equivalent of US Dollar 4,685,377) (2012: None) 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%.

w) A loan of TRY 20,000,000 (Equivalent of US Dollar 9,370,754) (2012: None) 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).

x) The Group has spot loans with an amount of TRY 113,370,000 (Equivalent of US Dollar 53,118,118) (2012: TRY 165,072,284), which has an average interest rate of 9.1%, and have loans with no interest with an amount of TRY 2,018,661 (2012: TRY 1,735,426).

The Group uses its notes receivables as collaterals for its revolving loans. As at 31 December 2013, the amount of the notes receivables given as collateral is USD 31,519,606 (31 December 2012: USD 60,189,209).

15. TRADE PAYABLES

	31 December 2013	31 December 2012
Short-term trade payables	16,703,594	18,548,833
Notes payable	1,669	1,669
	16,705,263	18,550,502

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 35 days.

16. OTHER PAYABLES AND ACCRUED EXPENSES

	31 December 2013	31 December 2012
Accrued sales discounts and free samples (*)	3,375,177	5,651,548
Accrued vacation pay	1,804,151	2,025,027
Payroll taxes and dues payable	1,307,212	1,250,464
Social security premiums payable	901,859	931,241
Accrued sales premiums and bonuses	312,131	664,593
Advances received	63,908	52,556
Deferred income	876,965	932,802
Accrued payroll	212,512	154,648
Other accruals and liabilities	3,336,262	3,205,498
	12,190,177	14,868,377

(*) US Dollar 1,983,580 of the amount relates to accrued reimbursement charges given to pharmacies and warehouses due to the price differences (2012: USD 4,124,855).

	31 December 2013	31 December 2012
Deferred income (*)	7,075,041	7,528,613
	7,075,041	7,528,613

(*) 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.

17. PROVISIONS

	31 December 2013	31 December 2012
Current	2,718,529	5,542,503
Non-current	-	192,492
	2,718,529	5,734,995

17. PROVISIONS (cont.)

	Provision for seniority incentive and other benefits	Provision for legal claims	Total
At 1 January 2012	62,500	9,039,089	9,101,589
Charge for the year	-	1,000,910	1,000,910
Utilization of provision	-	(3,602,094)	(3,602,094)
Provision released	-	(1,304,535)	(1,304,535)
Translation effect	-	539,125	539,125
At 31 December 2012	62,500	5,672,495	5,734,995
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

The provision for seniority incentive and other benefits as at 31 December 2013 included US Dollar 62,500 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.

The provision represents management's best estimate of the Group's liability as of the balance sheet date. The expected payment periods differ between 12 and 36 months from the balance sheet date.

18. TAXATION ON INCOME

	31 December 2013	31 December 2012
Current Tax Payable:		
Current corporate and income tax	-	74,241
Effect of taxable base increase on corporate tax (*)	46,387	155,030
Less: Prepaid taxes and funds	(4,875)	(70,017)
	41,512	159,254

	For the year ended 31 December 2013	For the year ended 31 December 2012
Taxation:		
Current tax expense	-	229,271
Deferred tax expense	453,879	4,520,263
	453,879	4,749,534

(*) 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 2013	For the year ended 31 December 2012
Profit before tax	1,516,263	16,348,563
Corporate income tax rate	0%	0%
Expected taxation	-	-
tax effects of:		
- nondeductible expenses	393,484	293,488
- non-taxable income	(3,181,331)	(1,013,193)
- effect of different tax rate of subsidiaries operating in other jurisdiction	3,241,726	5,469,239
Income tax expense per consolidated statement of income	453,879	4,749,534

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 2013 and 2012 is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. (2012: 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% (2012: 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.

18. TAXATION ON INCOME (cont.)

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

	31 December 2013	31 December 2012
Basis difference on property, plant and equipment and intangible assets	(2,202,723)	(2,463,993)
Provision for employment termination benefits	465,471	577,846
Carry forward tax losses	8,254,917	8,996,012
Amortization of discount on notes receivable and payables	353,872	389,818
Accrued vacation	360,830	405,005
Expense accruals due to price regulation	396,716	824,971
Basis difference on inventory	381,799	216,940
Provision for legal cases	504,017	1,007,239
Other	1,359,326	1,938,901
Net deferred tax asset	9,874,225	11,892,739

Movement of deferred tax assets:	For the year ended 31 December 2013	For the year ended 31 December 2012
Opening balance	11,892,739	15,353,809
Charge for the year	(453,879)	(4,520,263)
Translation effect	(1,564,635)	1,059,193
Closing balance	9,874,225	11,892,739

As at 31 December 2013 and 2012, the Group has unused tax losses of US Dollar 41,274,585 and 44,980,060 respectively, available for offset against future profits. The Group does not have any unrecognized deferred tax assets in 2013 (2012: 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.

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 1,525 and 1,702 (TRY equivalent of 3,254 and 3,034, respectively) for each period of service as at 31 December 2013 and 31 December 2012, 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.

19. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (cont.)

The provision as of 31 December 2013 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 2012: 2.19%). The anticipated rate of retirement was 91.03% (2012: 90.48%). 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 3,438 effective from 1 January 2014 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 2013	For the year ended 31 December 2012
Opening balance	2,889,232	2,361,921
Service cost	967,645	1,097,822
Interest cost	52,695	93,026
Benefits paid	(1,106,114)	(804,384)
Translation effect	(476,102)	140,847
Closing balance	2,327,356	2,889,232

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 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 Dollars	22,590,545	22,590,545
Loan secured by building	US Dollars	34,250,000	34,250,000
	TRY	56,200,000	26,331,818
Pledges	TRY	1,984,206	929,675
			123,549,366

	Amount		31 December 2012 US Dollars
Letters of guarantee given	TRY	24,335,019	13,651,419
Promissory notes and collaterals given	TRY	38,847,500	21,792,606
	EUR	10,410,992	13,734,730
	US Dollars	24,523,993	24,523,993
Loan secured by building	US Dollar	42,375,000	42,375,000
	TRY	48,500,000	27,207,450
Pledges	TRY	2,696,810	1,512,852
			144,798,050

21. SHARE CAPITAL AND LEGAL RESERVES

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 2013 and 31 December 2012, 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 2013 (31 December 2012: 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 2013 and 31 December 2012, the Company estimated the fair value of the call option liability as US Dollar 643,654 and 71,038, respectively, and is accounted for as a derivative liability and is remeasured to fair value at each reporting date through profit and loss.

22. REVENUE

	1 January - 31 December 2013	1 January - 31 December 2012
Human pharma revenue	206,786,244	214,382,567
Veterinary products revenue	6,568,334	13,915,624
Other revenue	3,770,509	3,685,301
	217,125,087	231,983,492

Sales amounts are presented net of sales returns and discounts.

23. COST OF SALES

	1 January - 31 December 2013	1 January - 31 December 2012
Raw materials used	(74,979,650)	(79,263,338)
Direct labor cost	(7,658,085)	(7,113,805)
Production overheads	(35,711,726)	(34,964,999)
Depreciation and amortisation expenses	(10,069,688)	(9,307,275)
Change in work in process	1,065,459	1,874,900
Change in finished goods	(1,503,049)	(229,685)
	(128,856,739)	(129,004,202)
Cost of merchandises sold	-	(3,935,361)
	(128,856,739)	(132,939,563)

24. OPERATING EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Research and development expenses (*)	(1,976,439)	(1,572,769)
Sales and marketing expenses	(46,606,350)	(43,791,299)
General administration expenses	(25,217,922)	(24,178,115)
	(73,800,711)	(69,542,183)

(*) As of 31 December 2013, the Group realized research and development expense amounting to US Dollars 3,783,954 for tangible assets and US Dollars 13,754,809 for intangible assets with the total amount of US Dollars 17,538,763 (31 December 2012: US Dollars 10,699,205). As at the balance sheet date US Dollars 14,048,228 of the amount is from government grants and incentives (31 December 2012: US Dollars 8,397,487). Of this total amount US Dollars 15,562,324 was capitalized on intangible development costs (31 December 2012: US Dollars 9,126,436).

24. OPERATING EXPENSES (cont.)

	1 January - 31 December 2013	1 January - 31 December 2012
Employee benefits expense	(39,443,625)	(34,669,155)
Depreciation and amortization expense	(9,318,628)	(10,056,210)
Transportation expense	(3,797,731)	(3,977,199)
Rent expense	(4,645,140)	(4,350,652)
Consultancy expense	(1,582,756)	(1,379,624)
Promotional and advertising expense	(12,156,465)	(10,082,092)
Other operating expenses	(9,677,775)	(8,785,047)
	(80,622,120)	(73,299,979)
Capitalized development costs	6,821,409	3,757,796
	(73,800,711)	(69,542,183)

25. INVESTMENT REVENUE

	1 January - 31 December 2013	1 January - 31 December 2012
Amortization of discount on payables	24,306,427	26,232,004
Interest received from sales with deferred settlement terms	78,295	172,654
Interest income	370,572	354,897
	24,755,294	26,759,555

26. FINANCE COSTS

	1 January - 31 December 2013	1 January - 31 December 2012
Interest on bank borrowings	(9,380,035)	(13,125,820)
Foreign exchange (loss)/gain on borrowings	(5,495,184)	3,112,773
Bond issued interest expenses	(4,002,556)	-
Gain / (loss) on derivative financial instruments	105,962	(2,750,985)
Amortization of discount on receivables	(24,479,691)	(26,542,694)
Other interest expense	(385,569)	(427,343)
	(43,637,073)	(39,734,069)

27. OTHER GAINS AND LOSSES

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange gain	3,311,853	5,273
Change in fair value of call option liability (Note 21)	(572,616)	262,296
Gain on disposal of property, plant and equipment	3,054,909	537,016
Other	597,360	(242,902)
	6,391,506	561,683

(*) 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 2013. The details are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	-	-
Loss for the year	(2,119,717)	(3,403,453)
Group's share on loss of the associate	(461,101)	(740,352)

The Group's share on total assets and liabilities is US Dollars 1,995,770 and US Dollars 870,315, 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.

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 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.

For the year ended 31 December 2012	Human pharma	Veterinary products	Other	Total
External sales	214,382,567	13,915,624	3,685,301	231,983,492
Cost of sales	(121,448,823)	(8,611,861)	(2,878,879)	(132,939,563)
Operating expenses	(66,090,036)	(2,910,364)	(541,783)	(69,542,183)
Segment results	26,843,708	2,393,399	264,639	29,501,746
Investment revenue				26,759,555
Finance costs				(39,734,069)
Other gains and losses				561,683
Loss from investment in associates				(740,352)
Profit before tax				16,348,563
Tax expense				(4,749,534)
Net profit for the year				11,599,029

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 28% and 36%. Net human pharma revenues attributed to these wholesalers were US Dollar 60,052,766 and US Dollar 78,973,043, respectively.

30. OPERATING LEASE ARRANGEMENTS

Operating lease commitments

	For the year ended 31 December 2013	For the year ended 31 December 2012
Minimum lease payments under operating leases recognized as an expense in the related period	3,198,877	3,277,272
	3,198,877	3,277,272

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

	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

	EUR	TRY	31 December 2012
Not longer than 1 year	1,348,335	1,707,908	2,736,894
Longer than 1 year and not longer than 5 years	89,007	1,280,931	835,997
	1,437,342	2,988,839	3,572,891

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 2013	For the year ended 31 December 2012
Weighted average number of shares	67,650,000	67,650,000
Net (loss)/profit for the period attributable to the shareholders	(529,423)	9,075,962
Earnings per share	(0.01)	0.13

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 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**

31 December 2012	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	12,936,817	30,146	4,446,726	8,087	17,836,457
Trade receivables	3,516,024	216,082	-	-	3,801,091
Other assets	559,080	1,442,347	117,420	37,442	2,650,185
Total Assets	**17,011,921**	**1,688,575**	**4,564,146**	**45,529**	**24,287,733**
Trade payables	374,798	1,146,179	3,634,876	339	5,849,388
Short-term borrowings	19,194,444	-	-	-	19,194,444
Long-term borrowings	15,377,778	-	-	-	15,377,778
Other payables and accrued expenses	-	-	1,463,307	-	1,594,976
Total Liabilities	**34,947,020**	**1,146,179**	**5,098,183**	**339**	**42,016,586**
Net foreign currency position	**(17,935,099)**	**542,396**	**(534,037)**	**45,190**	**(17,728,853)**

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 2013, the Group's strategy, which was unchanged from 2012, 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.

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories

31 December 2013	Loans and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying value	Note
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	-	-	16,705,263	16,705,263	15
Due to related parties	-	-	26,749	26,749	7
Liabilities due to tax amnesty	-	-	198,443	198,443	
Call option liability	-	643,654	-	643,654	21
31 December 2012					
Financial assets					
Cash and cash equivalents	18,158,807	-	-	18,158,807	5
Trade receivables	106,301,781	-	-	106,301,781	6
Financial liabilities					
Borrowings	-	-	150,823,279	150,823,279	14
Trade payables	-	-	18,550,502	18,550,502	15
Due to related parties			31,216	31,216	7
Liabilities due to tax amnesty	-	-	698,798	698,798	
Call option liability	-	71,038	-	71,038	21

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

33. FINANCIAL RISK MANAGEMENT (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 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL:				
Call option liability	-	643,654	-	643,654

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL:				
Call option liability	-	71,038	-	71,038

There have been no transfers between Level 1, 2 or 3 during the year ended 31 December 2013 and 2012.

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 2013	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	187,901	(2,822,298)

	Year ended 31 December 2012	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(2,557,689)	102,044

The equity effect of 10% devaluation in the exchange rate of USD against TRY is US Dollar 11,184,335 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 2013, 39.3% 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 2013 would decrease by US Dollar 136,917 net of tax (31 December 2012: US Dollar 87,701). If Libor and Euribor had been 50 basis points lower, the profit of the Group for the period 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 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 and bonds issued	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

31 December 2012	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	150,823,279	159,286,077	91,439,674	18,343,051	5,435,687	8,195,651	31,229,291	4,642,723
Liabilities due to tax amnesty	885,462	885,462	221,365	110,683	221,365	110,683	221,365	-
Trade payables	18,550,502	18,625,758	16,649,510	1,976,248	-	-	-	-
Due to related parties	31,216	31,216	31,216	-	-	-	-	-
	170,290,459	178,828,513	108,341,765	20,429,982	5,657,052	8,306,334	31,450,656	4,642,723

34. SUBSEQUENT EVENTS

None.