EASTPHARMA LTD.
AND ITS SUBSIDIARIES

Consolidated Financial Statements
For The Year Ended 31 December 2021
and The Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Eastpharma Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eastpharma Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 5 March 2021.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

DRT Bağımsız Denetim ve SMMM A.Ş.

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

İstanbul, 4 March 2022

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

ASSETS		**Current Period**	**Prior Period**
CURRENT ASSETS	**Notes**	**Audited 31 December 2021**	**Audited 31 December 2020**
Cash and cash equivalents	5	123,846,498	104,019,380
Trade and other receivables (net)	6	76,048,954	94,856,860
Inventories	8	84,196,145	92,966,945
Other current assets	9	6,793,009	9,858,603
Total Current Assets		**290,884,606**	**301,701,788**
NON-CURRENT ASSETS			
Property, plant and equipment (net)	10	93,693,892	107,773,862
Right of use assets	11	4,941,783	5,462,788
Intangible assets (net)	12	43,281,606	57,900,211
Goodwill	13	11,056,309	17,171,338
Deferred tax assets	19	1,959,179	1,939,604
Other non-current assets	9	7,851	75,872
Total Non-Current Assets		**154,940,620**	**190,323,675**
TOTAL ASSETS		**445,825,226**	**492,025,463**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

LIABILITIES AND EQUITY		**Current Period**	**Prior Period**
CURRENT LIABILITIES	**Notes**	**Audited 31 December 2021**	**Audited 31 December 2020**
Short-term borrowings	15	84,543,407	97,998,592
Trade payables	16	26,271,128	22,348,321
Due to related parties	7	4,229	4,417
Provisions	18	942,364	891,170
Derivative financial instruments	34	-	524,779
Other payables and accrued expenses	17	11,399,226	19,777,730
Current tax payable	19	986,754	2,259,547
Total Current Liabilities		**124,147,108**	**143,804,556**
NON-CURRENT LIABILITIES			
Long-term borrowings	15	39,205,753	34,196,079
Other financial borrowings	15	7,485,906	17,666,279
Provision for employment termination benefits	20	3,351,666	4,596,003
Deferred income	17	4,194,015	7,215,609
Total Non-Current Liabilities		**54,237,340**	**63,673,970**
TOTAL LIABILITIES		**178,384,448**	**207,478,526**
EQUITY			
Share capital		338,250,000	338,250,000
Premium in excess of par		99,774,445	99,774,445
Legal reserves		1,215,248	1,215,248
Retained earnings		264,675,777	145,781,280
Actuarial loss arising from defined benefit plans		(401,849)	(709,432)
Forreign currency translation reserve		(580,418,401)	(422,533,302)
Equity attributable to equity holders of the parent		**123,095,220**	**161,778,239**
Non-controlling interests		144,345,558	122,768,698
Total Equity		**267,440,778**	**284,546,937**
TOTAL LIABILITIES AND EQUITY		**445,825,226**	**492,025,463**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current Period Audited 1 January – 31 December 2021	Prior Period Audited 1 January – 31 December 2020
Revenue	23	288,617,300	289,014,240
Cost of sales	24	(116,568,909)	(125,202,553)
Gross profit		**172,048,391**	**163,811,687**
Operating expenses	25	(61,413,656)	(60,377,421)
Investment revenue	26	1,831,738	1,384,513
Finance costs (net)	27	(23,452,419)	(16,636,893)
Other gains and losses	28	59,330,560	18,854,772
Profit before tax		**148,344,614**	**107,036,658**
Current tax expense	19	(1,679,751)	(2,716,039)
Deferred tax expense	19	(1,082,279)	69,149
Tax expense		**(2,762,030)**	**(2,646,890)**
Net profit for the period		**145,582,584**	**104,389,768**
Attributable to:			
Equity holders of the parent		119,606,753	85,645,590
Non-controlling interests		25,975,831	18,744,178
		145,582,584	**104,389,768**
Basic and diluted earnings per share (US Dollar)	31	1.768	1.266

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current Period Audited 1 January – 31 December 2021	Prior Period Audited 1 January – 31 December 2020
Net income for the period		**145,582,584**	**104,389,768**
Other Comprehensive Income / (Loss) :			
Items not to be reclassified subsequently to profit or loss		**(11,152)**	**132,526**
Actuarial loss arising from defined benefit plans	20	(14,870)	165,657
Tax effect of other comprehensive income not to be reclassified to profit or loss	19	3,718	(33,131)
Items that are or may be reclassified subsequently to profit or loss:		**(156,222,187)**	**(44,260,169)**
Foreign currency translation loss		(156,222,187)	(44,260,169)
Total comprehensive income /(loss) for the period		**(10,650,755)**	**60,262,125**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		(37,970,763)	37,147,352
Non-controlling interests		27,320,008	23,114,773
		(10,650,755)	**60,262,125**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Share capital	Premium in excess of par	Legal reserves	Actuarial loss arising from defined benefit plans	Forreign currency translation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance as of 1 January 2020	22	338,250,000	99,774,445	1,215,248	(1,036,340)	(373,708,156)	60,893,471	125,388,668	102,050,144	227,438,812
Actuarial loss arising from defined benefit plans		-	-	-	132,526	-	-	132,526	-	132,526
Currency translation		-	-	-	194,382	(48,825,146)	-	(48,630,764)	4,370,595	(44,260,169)
Net profit for the period		-	-	-	-	-	85,645,590	85,645,590	18,744,178	104,389,768
Total comprehensive income / (loss)		-	-	-	326,908	(48,825,146)	85,645,590	37,147,352	23,114,773	60,262,125
Dividends		-	-	-	-	-	(757,781)	(757,781)	(2,396,219)	(3,154,000)
Balance as of 31 December 2020		338,250,000	99,774,445	1,215,248	(709,432)	(422,533,302)	145,781,280	161,778,239	122,768,698	284,546,937
Balance as of 1 January 2021	22	338,250,000	99,774,445	1,215,248	(709,432)	(422,533,302)	145,781,280	161,778,239	122,768,698	284,546,937
Actuarial loss arising from defined benefit plans		-	-	-	(11,152)	-	-	(11,152)	-	(11,152)
Currency translation		-	-	-	318,735	(157,885,099)	-	(157,566,364)	1,344,177	(156,222,187)
Net profit for the period		-	-	-	-	-	119,606,753	119,606,753	25,975,831	145,582,584
Total comprehensive income / (loss)		-	-	-	307,583	(157,885,099)	119,606,753	(37,970,763)	27,320,008	(10,650,755)
Dividends		-	-	-	-	-	(712,256)	(712,256)	(5,743,148)	(6,455,404)
Balance as of 31 December 2021		338,250,000	99,774,445	1,215,248	(401,849)	(580,418,401)	264,675,777	123,095,220	144,345,558	267,440,778

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		145,582,584	104,389,768
Adjustments to reconcile net profit to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	24,25	4,452,245	4,440,149
Amortization of right of use assets	25	2,447,249	1,835,987
Amortization of intangible assets	25	2,443,934	2,713,315
Impairment losses on intangible assets	12	9,845,095	12,462,523
Provision for employment termination benefits	20	1,140,339	1,251,683
Gain, on sale and disposal of property, plant and equipment and intangible assets	28	(1,991,337)	(818,397)
Gain / (Loss) on derivative financial instruments	27	(2,929,338)	(1,862,281)
Allowance for doubtful receivables, net	6	1,037	-
Amortization of discount	26	(69,260)	(37,227)
Provisions	18	806,501	475,928
Interest expense	27	21,491,839	13,472,536
Bonds issued interest expense	27	4,849,237	4,308,445
Change in allowance for diminution in value of inventories	8	1,281,125	5,252,546
Unrealized foreign exchange gain	27, 28	(55,840,668)	(15,956,112)
Interest income	26	(1,762,478)	(1,342,198)
Tax expense	19	2,762,030	2,646,890
Changes in working capital:			
Increase in trade and other receivables		(70,479,951)	(30,623,985)
Increase in inventories		(84,353,008)	(34,215,035)
Increase in other current assets		(5,066,839)	(7,490,151)
Increase in trade payables		89,739,893	22,929,072
Decrease in due to related parties		(188)	(98)
(Decrease) / increase in derivative financial instruments		(524,779)	(207,768)
Increase in other payables and accrued expenses		9,976,563	9,359,025
Cash generated from operations		**73,801,825**	**92,984,615**
Income tax paid		(4,010,530)	(779,150)
Provisions utilized	18	(354,919)	(539,130)
Employment termination benefits paid	20	(350,689)	(279,835)
Net cash provided by operating activities		**69,085,687**	**91,386,500**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January-31 December 2021	Audited 1 January-31 December 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(39,505,348)	(40,590,955)
Proceeds on right of use assets	11	(3,378,167)	(3,265,534)
Purchases of intangible assets	12	(19,747,507)	(15,250,779)
Proceeds on disposal of property, plant and equipment	10,28	2,038,507	846,309
Net cash used in investing activities		**(60,592,515)**	**(58,260,959)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		1,036,080	1,351,977
Interest paid		(22,530,636)	(13,248,374)
Proceeds from borrowings	15	153,171,329	152,380,508
Repayment of borrowings	15	(116,371,440)	(136,890,224)
Payments of issued debt instruments	15	(4,876,585)	(10,898,440)
Repayment of lease liabilities	15	(3,485,659)	(1,727,475)
Provided by bonds issued	15	(9,491,318)	21,608,060
Dividends paid		(6,455,404)	(3,154,000)
Net cash used in financing activities		**(9,003,633)**	**9,422,032**
NET CHANGES IN CASH AND CASH EQUIVALENTS		(510,461)	42,547,573
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		103,953,561	57,386,904
Effect of exchange rate changes on the balance of cash held in foreign currencies		19,541,921	4,019,084
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**122,985,021**	**103,953,561**

Changes in working capital include currency translation of US Dollar 74,445,028 (1 January – 31 December 2020: US Dollar 45,247,475). The distribution of the currency translation effect for the period is as follows:

	1 January-31 December 2021	1 January-31 December 2020
Trade receivables	(70,479,951)	(30,623,985)
Inventories	(84,353,008)	(34,215,035)
Other receivables and current assets	(5,066,839)	(7,490,151)
Trade payables	89,739,893	22,929,072
Other payables and accrued expenses	9,451,784	9,151,257
Financial liabilities	(13,736,907)	(4,998,633)
	(74,445,028)	(45,247,475)

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

The Group has 208 pharmaceutical molecules in 416 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 2021 and 31 December 2020 are as follows:

	Ownership %		Place of incorporation	Principal activity
Direct holdings:	31 December 2021	31 December 2020		
EastPharma S.a r.l	100%	100%	Luxembourg	Direct parent company of Deva
Indirect holdings:				
Deva Holding A.Ş.	82.2%	82.2%	Turkey	Production and sales of human pharmaceuticals
Saba İlaç A.Ş.	100%	99.9%	Turkey	Production and sales of human pharmaceuticals
EastPharma İlaç A.Ş.	100%	100%	Turkey	Non – operating

The Group has also interest of 21.75% (2020: 21.75 %) in a company incorporated in Singapore, Lypanosys PTE LTD of which principal activities are production and sales of human pharmaceuticals. (Note 14)

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

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

Main subsidiary of EastPharma is Deva Holding A.Ş., it owns 82,2% of the shares of Deva as of 31 December 2021. Non-controlling interest amount is mainly related to these shares.

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

Deva Holding	31 December 2021	31 December 2020
Current assets	253,090,601	265,518,418
Non-current assets	127,899,585	154,979,097
Current liabilities	(122,466,734)	(134,499,212)
Non-current liabilities	(53,992,630)	(63,498,851)
Equity attributable to equity holders of the parent	(204,530,822)	(222,499,452)

	1 January- 31 December 2021	1 January- 31 December 2020
Sales	263,591,024	266,756,401
Expenses	(134,566,079)	(174,045,819)
Net profit for the period	129,024,945	92,710,582
Attributable to:		
Equity attributable to equity holders of the parent	129,024,945	92,710,582
Net profit for the period	129,024,945	92,710,582
Net profit for the period	129,024,945	92,710,582
Actuarial loss arising from defined benefit plans	(14,726)	172,304
Tax effect other comprehensive income not to be reclassified to profit or loss	3,682	(34,461)
Foreign currency translation	2,490,426	642,785
Total comprehensive income for the period	131,504,327	93,491,210
Total comprehensive income attributable to:	**131,504,327**	**93,491,210**
Equity attributable to equity holders of the parent	131,504,327	93,491,210
	131,504,327	93,491,210

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

Description of operations:

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

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

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

The veterinary products segment derives its revenue from the sale of products that meet the needs of veterinarians and animal breeders. Revenues of the veterinary products segment are derived from the sale of 90 pharmaceutical molecules in 138 pharmaceutical forms.

The operations in the other segment include cologne.

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

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

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

<u>2.1 The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:</u>

<u>*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2*</u>

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

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

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

2.2 Standards issued but not yet effective and not early adopted

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9 and IAS 41*
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*
Amendments to IFRS 16	*COVID-19 Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 1	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*

IFRS 17 Insurance Contracts

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

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

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

Amendment defers the effective date by one year. Amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to IFRS 3 Reference to the Conceptual Framework

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

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

Amendments to IAS 16 Proceeds before Intended Use

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

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

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

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

Amendments to IAS 37 Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

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

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

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

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

The International Auditing and Assurance Standards Board ("IAASB") has published COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

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

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

Amendments to IAS 1 Disclosure of Accounting Policies

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

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

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

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

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

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

The amendments are applied when IFRS 17 is first applied.

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

2.3 Annual Improvements – 2018–2020 Cycle

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

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

Amendments to IFRS 9 Financial Instruments

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

Amendments to IAS 41 Agriculture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Functional and reporting currency

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

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

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

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

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

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

The US Dollar/TRY, US Dollar/EUR and EUR/TRY year end exchange rates and average exchange rates for the year ended 31 December 2021 and 2020 are as follows:

	Period End		Average	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD/TL	13.329	7.3405	8.8719	7.0034
USD/EUR	0.8835	0.8149	0.8484	0.8877
EUR/TL	15.0867	9.0079	10.4572	8.0140

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 4 March 2021.

Going Concern

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Consolidation

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

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

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

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

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

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

Business combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Business combinations (cont.)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments in associates

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

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

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

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

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Revenue recognition

Sale of goods

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

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

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

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

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

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

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

Interest revenue

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

Cost of sales - free of charge goods

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Inventories

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

Property, plant and equipment

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

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

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

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

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right-of-use assets includes:

a) the amount of lease liabilities recognised,
b) lease payments made at or before the commencement date less any lease incentives received.
c) initial direct costs incurred and

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of Non-Financial Assets

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

Intangible assets acquired in a business combination

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the consolidated statement of income and comprehensive income in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the year ended 31 December 2021 US Dollar 702,012 (31 December 2020: US Dollar 475,172) amount was capitalized on qualifying assets. The weighted average capitalization rate on funds borrowed generally is 9.8% per annum (2020: 8.5% for per annum).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Government grants and incentives

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

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

Taxation and deferred income taxes

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

Current tax

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

Deferred tax

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

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

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

Provision for employment termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Leasing - the Group as lessee

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

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

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

Earnings per share

Earnings per common share for 31 December 2021 and 2020 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Provisions and contingent liabilities

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

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

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

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

Events after the reporting period

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Recoverability of internally-generated intangible assets

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

During the year ended 31 December 2021, the Group Management reconsidered the recoverability of its internally-generated intangible assets. Management reviews the projects regularly for any impairment. Determining whether assets are impaired requires an estimation of the value in use of the internally-generated intangible assets. The value in use calculation requires the Group Management to estimate the future cash flows expected to arise from the sale of the products developed and a suitable discount rate in order to calculate present value. The first step for the estimation of the future cash flows is the assessment of the licensing process, the application to the Ministry of Health and marketability of the product. The second step of the impairment testing involves the review and comparison of the projected cash flows with the actual financial data and assessment of the market activity.

During the year ended 31 December 2021, the Group Management has recognized an impairment loss of US Dollar 9,845,095 and written-off the impaired amount from product lines, license and supply agreements (31 December 2020: US Dollar 12,462,523).

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

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

Intangible asset acquired in business combination

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

Impairment of goodwill

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

As at 31 December 2021, 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 28.3% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 9.0% which inflation rate forecast between the years 2024-2028 for Turkey.

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

As at 31 December 2021 and 2020, no impairment loss is recognized in the accompanying consolidated financial statements.

Deferred taxes

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

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

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

Net realizable value

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

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

Useful life of intangibles

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

Provision for litigations

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

Provision for doubtful receivables

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

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

5. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Petty cash	14,320	18,080
Demand deposits	6,748,029	1,862,126
Time deposits	116,194,941	102,073,355
Other securities	27,731	-
Cash and cash equivalents in cash flow statement	122,985,021	103,953,561
Interest income accruals	861,477	65,819
	123,846,498	104,019,380

As of 31 December 2021, the Group's time deposits were denominated in Euro, US Dollar and Turkish Lira time deposits, and the average interest rate for Euro time deposit is 0.56%, US Dollar time deposit is 0.76%, and Turkish Lira time deposit is 21.47%. (As of 31 December 2020, the Group's time deposits were denominated in Euro, US Dollar and Turkish Lira time deposit, and the average interest rate for Euro time deposit is 1.90%, US Dollar time deposit is 2.01%, and Turkish Lira time deposit is 17.93%). The Group has made investments in short term time deposits and purchased agreements which have an average maturity of one month.

As at 31 December 2021, the Group does not have any cash deposits pledged against the bank loans used (31 December 2020: None).

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 2021, two customers each represented 22% and 23% of the total trade and other receivables balance, respectively (31 December 2020: 16% and 25%, respectively).

	31 December 2021	31 December 2020
Trade receivables	29,803,357	42,114,788
Less: Allowance for doubtful receivables	(545,746)	(992,591)
Notes receivable	46,756,004	53,715,454
Other receivables	39,008	25,871
Less: Allowance for other doubtful receivables	(3,669)	(6,662)
	76,048,954	94,856,860

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

As at 31 December 2021 and 31 December 2020, the Group provided provision for uncollectable part of its past due trade and other receivables. The rest of the receivables amount is neither past due nor impaired. For the year ended 31 December 2021, the average credit period on sales is 98 days (31 December 2020: 100 days).

Movement of allowance for doubtful receivables in value for the year ended 31 December 2021 and 2020 is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at 1 January	992,591	1,226,577
Provision charge	1,037	-
Collections	(1,927)	-
Translation effect	(445,955)	(233,986)
Balance at 31 December	545,746	992,591

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

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

6. TRADE AND OTHER RECEIVABLES (cont.)

Provision for other doubtful receivables(-)	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at 1 January	6,662	8,233
Translation effect	(2,993)	(1,571)
Balance at 31 December	3,669	6,662

Collateral received in relation to trade receivables were as follows:

	31 December 2021	31 December 2020
Letters of guarantees	5,891,971	11,242,204

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 2021	31 December 2020
Benefits payable to the Board of Directors and individual shareholders	4,229	4,417
	4,229	4,417

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the year ended 31 December 2021 and 2020 are stated below:

Compensation of key management personnel	For the year ended 31 December 2021	For the year ended 31 December 2020
Short-term benefits	10,505,013	11,031,819
Employment termination benefits	94,190	77,035
Total compensation	10,599,203	11,108,854

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

8. INVENTORIES

	31 December 2021	31 December 2020
Raw materials	53,013,053	57,895,908
Work-in-progress	4,552,579	5,655,880
Finished goods	27,057,544	31,016,876
Goods in transit	5,578,350	6,976,662
Allowance for diminution in value of inventories	(6,005,381)	(8,578,381)
	84,196,145	92,966,945

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Opening balance	8,578,381	4,109,842
Charge for the year	1,812,268	7,195,342
Provisions utilized	(531,143)	(1,942,796)
Translation effect	(3,854,125)	(784,007)
Closing balance	6,005,381	8,578,381

9. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	31 December 2021	31 December 2020
Value added tax (VAT) receivable	3,581,528	2,185,022
Business advances given	274,082	261,247
Income accruals (*)	1,542,841	3,130,524
Prepaid expenses	1,275,474	1,588,710
Prepaid taxes	24,293	2,362,260
Other assets	94,791	330,840
	6,793,009	9,858,603

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

Other non - current assets	31 December 2021	31 December 2020
Prepaid expenses	7,851	75,872
	7,851	75,872

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

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost									
At 1 January 2021	4,862,373	317,168	30,796,958	77,903,525	674,603	5,116,939	37,973	30,946,985	150,656,524
Currency translation	(2,280,587)	(142,498)	(13,836,566)	(35,000,770)	(303,088)	(2,298,956)	(17,061)	(13,903,970)	(67,783,496)
Additions	-	-	-	-	145,171	1,428,200	9,753	37,922,224	39,505,348
Transfers	-	8,827	4,878,443	17,673,878	-	-	-	(22,561,148)	-
Disposals	(44,449)	-	-	(34,206)	(11,340)	(2,738)	-	-	(92,733)
At 31 December 2021	2,537,337	183,497	21,838,835	60,542,427	505,346	4,243,445	30,665	32,404,091	122,285,643
Accumulated depreciation									
At 1 January 2021	-	(96,515)	(5,811,165)	(33,798,869)	(135,008)	(3,008,051)	(33,054)	-	(42,882,662)
Currency translation	-	48,900	2,951,331	16,934,941	100,299	1,512,681	15,422	-	21,563,574
Depreciation capitalized in intangible assets (Note 12) (*)	-	-	-	(445,740)	-	-	-	-	(445,740)
Depreciation charge for the year	-	(16,561)	(1,021,163)	(5,232,393)	(118,549)	(482,110)	(1,710)	-	(6,872,486)
Disposals	-	-	-	31,512	11,340	2,711	-	-	45,563
At 31 December 2021	-	(64,176)	(3,880,997)	(22,510,549)	(141,918)	(1,974,769)	(19,342)	-	(28,591,751)
Carrying amount at 31 December 2021	2,537,337	119,321	17,957,838	38,031,878	363,428	2,268,676	11,323	32,404,091	93,693,892
Carrying amount at 1 January 2021	4,862,373	220,653	24,985,793	44,104,656	539,595	2,108,888	4,919	30,946,985	107,773,862

(*) US Dollar 445,740 partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of IAS 16 and IAS 38 (Note 11) as the projects are in progress as at 31 December 2021.

As of 31 December 2021, insurance coverage on property, plant and equipment amounts to TRY 2,249,897,000 (Equivalent of US Dollar 168,797,134) (31 December 2020: TRY 1,299,881,214 (Equivalent of US Dollar 177,083,470).

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

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

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

Allocation of depreciation on property, plant and equipment and amortization of intangible assets (Note 12) is as follows:

	31 December 2021	31 December 2020
Cost of goods sold	4,253,361	3,863,381
Operating expenses	5,090,067	5,126,070
Capitalized on inventory	2,420,241	1,138,032
	11,763,669	10,127,483

11. RIGHT OF USE ASSETS

	Vehicles	Machinery	Total
Acquisition cost			
At 1 January 2021	6,596,079	2,229,048	8,825,127
Net foreign currency translation	(2,963,512)	(1,001,475)	(3,964,987)
Additions	3,302,564	75,603	3,378,167
Reclassifications (**)	(1,508,207)	-	(1,508,207)
At 31 December 2021	5,426,924	1,303,176	6,730,100
Accumulated amortization			
At 1 January 2021	(3,308,401)	(53,938)	(3,362,339)
Net foreign currency translation	2,446,756	66,308	2,513,064
Reclassifications (**)	1,508,207	-	1,508,207
Charge for the year (*)	(2,344,532)	(102,717)	(2,447,249)
At 31 December 2021	(1,697,970)	(90,347)	(1,788,317)
Carrying amount at 31 December 2021	3,728,954	1,212,829	4,941,783

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

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

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

11. RIGHT OF USE ASSETS (cont.)

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

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

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

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

12. INTANGIBLE ASSETS

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2021	85,335,095	14,179,418	7,929,244	107,443,757
Currency translation	(30,931,668)	(2,826,431)	(310,089)	(34,068,188)
Additions (*)	20,350,764	-	-	20,350,764
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	445,740	445,740
Disposals	(10,272,029)	-	-	(10,272,029)
At 31 December 2021	64,482,162	11,352,987	8,064,895	83,900,044
Accumulated amortization and impairment				
At 1 January 2021	(46,468,730)	(2,642,624)	(432,192)	(49,543,546)
Currency translation	9,244,436	1,401,145	296,527	10,942,108
Charge for the year	(2,380,122)	(63,812)	-	(2,443,934)
Disposals	426,934	-	-	426,934
At 31 December 2021	(39,177,482)	(1,305,291)	(135,665)	(40,618,438)
Carrying amount at 31 December 2021	25,304,680	10,047,696	7,929,230	43,281,606
Carrying amount at 1 January 2021	38,866,365	11,536,794	7,497,052	57,900,211

As of 31 December 2021, capitalized borrowing cost amounts to US Dollar 702,012 (31 December 2020: US Dollar 475,172).

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

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

12. INTANGIBLE ASSETS (cont.)

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

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

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

As of 31 December 2021, capitalized financial expense amounts to US dollar 603,257 (31 December 2020: US Dollar 383,692).

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

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

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

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

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

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

13. GOODWILL

	Cost
Balance at 1 January 2020	22,944,149
Net foreign currency translation	(9,323,500)
Balance at 31 December 2020	13,620,649
Balance at 1 January 2021	13,620,649
Net foreign currency translation	
Balance at 31 December 2021	13,620,649
	Accumulated impairment losses
Balance at 1 January 2021	(2,564,340)
Net foreign currency translation	-
Balance at 31 December 2021	(2,564,340)
Carrying amount as at 31 December 2021	11,056,309
Carrying amount as at 31 December 2020	17,171,338

As at 31 December 2021, the Group assessed the recoverable amount of goodwill for Deva and Saba. The recoverable amount of the CGUs is determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 21.3% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 7.7% which inflation rate forecast between the years 2024-2028 for Turkey. This calculation was based on Deva Holding's functional currency (TRY) projections and economical conditions of Turkey. The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount. Total carrying amount of goodwill is allocated to human pharma business segment.

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

Sensitivity to changes in assumptions used in the goodwill impairment test

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

14. INVESTMENT IN ASSOCIATES

Investments in associates	%	31 December 2021	%	31 December 2020
Lypanosys Pte Limited	21.75%	-	21.75%	-
		-		-

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

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

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

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 401,466 and US Dollars 338,724 as of 31 December 2021, respectively. For the year ended 31 December 2021 there was no revenues and loss.

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

15. BORROWINGS

	31 December 2021	31 December 2020
Short term bank loans	59,752,530	59,003,706
Current portion of long term loans	13,776,841	27,180,292
Current portion of leases	583,005	2,045,270
Current portion of bonds issued (*)	10,431,031	9,769,324
Total short term borrowings	84,543,407	97,998,592
Long term portion of bank loans	26,769,052	26,428,233
Non-current portion of leases	12,436,701	7,767,846
Bonds issued (*)	7,485,906	17,666,279
Total long term borrowings	46,691,659	51,862,358
Total borrowings	131,235,066	149,860,950

(*) Deva issued corporate bonds amounting to TRY 130,000,000 with two years maturity, quarterly floating interest rate and coupon payments, the bond were sold on 4 May 2020 only to qualified investors, and TRY 100,000,000 with two years maturity, quarterly floating interest rate and coupon payments, the bonds were sold on 14 May 2021 only to qualified investors. Annual simple yield of the bond is calculated by adding 225 basis points for TRY 130.000.000 bond for over the annual compound yield of "Reference Government Bond"and 200 basis points for TRY 100.000.000 bond for over "BİST TLREF” index. As of issuance and coupont payment date, annual simple bond yield were 10,85% and 21,46% and compound bond yield were 11,29% and %23, 25%, respectively.

The effective interest rate of TRY 130,000,000 is 17.95% as at 31 December 2021 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 136,185,757 (Equivalent of US Dollar 10,217,253).

The effective interest rate of TRY 100,000,000 is 20.48% as at 31 December 2021 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 102,629,089 (Equivalent of US Dollar 7,699,684).

The Group has a number of borrowings with interest rates that are based on market interest rates at date of the borrowings. The Group is exposed to interest rate fluctuations on domestic and international markets. The Group attempts to mitigate this risk by maintaining an appropriate mix between fixed and floating rate borrowings whose portions are 56% and 44% respectively.

The repayments of the borrowings are as follows:

	31 December 2021	31 December 2020
On demand or within one year	84,543,407	97,998,592
In the second year	36,176,783	33,296,852
In the third year	3,950,486	5,888,930
In the fourth year	2,996,185	4,613,801
In the fifth year	3,568,205	8,062,775
	131,235,066	149,860,950

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

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

15. BORROWINGS (cont.)

i) Bank loans

Short-term loans

Short-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021	Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	19.3%	776,872,439	58,284,375	TRY	11.9%	414,252,901	56,433,881
EUR	-	-	-	EUR	0.8%	500,000	613,575
Accrued interest			1,468,155	Accrued interest			1,956,250
			59,752,530				59,003,706

The Group has spot loans amounting to TRY 776,872,439 (Equivalent of US Dollar 58,248,375) (2020: US Dollar 55,825,236), with an average interest of 19.3% and not have loans with no interest. (2020: US Dollar 608,645).

Short term borrowings consist of revolving lines of credits with several banks and carry fixed rate interests. As at 31 December 2021 and 31 December 2020, the total available lines of credits were US Dollar 226,485,878(TRY 3,018,830,274) and US Dollar 324,214,677 (TRY 2,379,897,838) 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 2021	Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	14.4%	166,544,947	12,494,932	TRY	14.5%	184,095,965	25,079,486
EUR	-	-	-	EUR	2.4%	710,143	871,452
Accrued interest			1,281,909	Accrued interest			1,229,354
			13,776,841				27,180,292

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

15. BORROWINGS (cont.)

i) Bank loans (cont.)

Long-term loans(cont.)

Long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021	Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	18.6%	356,804,690	26,769,052	TRY	15.5%	193,996,441	26,428,233
			26,769,052				26,428,233

The Group uses its notes receivables as collaterals for its revolving loans, As at 31 December 2021, the amount of the notes receivables given as collateral is USD 21,934,465 (31 December 2020: USD 21,615,526). These loans are also secured by the Group’s headquarter building located at Halkalı and Group’s factory buildings that are located at Çerkezköy and Kartepe morgages at respectively amounts of TRY 55.000.000 (Equivalent of US Dollar 4,126,341), TRY 20.000.000 (Equivalent of US Dollar 1,500,488) , TRY 35.000.000 (Equivalent of US Dollar 2,625,853), TRY 34.000.000 (Equivalent of US Dollar 2,550,829), TRY 8.400.000 (Equivalent of US Dollar 630,205), TRY 16.200.000 (Equivalent of US Dollar 1,215,395), TRY 12.900.000 (Equivalent of US Dollar 967,815). (Note 21)

Loan movement:

	31 December 2021	31 December 2020
Beginning of the year - 1 January	112,612,231	105,222,694
Additions	153,171,329	169,482,619
Repayments of borrowings	(116,371,440)	(144,517,506)
Currency translation differences	(50,104,639)	(18,675,171)
Changes in interest accruals	990,942	1,099,595
End of the period	**100,298,423**	**112,612,231**

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

15. BORROWINGS (cont.)

ii) Leases

Current portion of leases

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021
TRY	14.3%	1,932,337	144,972
Accrued interest			438,033
			583,005

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

Non-current portion of leases

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021
TRY	16.3%	165,768,791	12,436,701
			12,436,701

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

The Group recognizes right-of-use assets at the commencement date of the lease in accordance with TFRS 16; when the underlying asset is available for use. Since the fixed assets which are subject to the leasing agreement, amounting to EUR 10,717,000 (Equivalent of US Dollar 12,130,255) and EUR 4,850,000 (Equivalent of US Dollar 5,487,571), are not available for use as at the balance sheet date; the Company has not recognized the total amount of right-of-use asset and lease liability in the consolidated financial statements in 31 December 2021. The Group has only recognized the advance payment by the leasing company under the lease contract in 2020 and 2021 on behalf of Deva Holding. The advance payments, amounting to TRY 118,373,715 (Equivalent of US Dollar 8,880,915) (2020: US Dollar 4,070,333), have been recognized in advances given and lease liabilities (Note 10). The commencement date of the lease contract is 21 December 2020 and 15 December 2021; and the termination date is 25 December 2026 and 15 December 2026. The total borrowing amount of the lease contract is TRY 333.005.111 (Equivalent of US Dollar 24,983,503).

Lease movement:

	31 December 2021	31 December 2020
Beginning of the year - 1 January	9,813,116	5,395,513
Additions	9,695,837	3,031,660
Repayments of borrowings	(4,143,753)	(2,126,540)
Currency translation differences	(3,003,588)	2,838,652
Changes in interest accruals	658,094	673,831
End of the period	**13,019,706**	**9,813,116**

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

15. BORROWINGS (cont.)

iii) Bonds issued

Current portion of bonds issued

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021
TRY	18.0%	129,138,285	9,688,520
Accrued interest			742,511
			10,431,031

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	20.2%	65,000,000	8,854,983
Accrued interest			914,341
			9,769,324

Non-current portion of bonds issued

Currency Type	Weighted Average Interest Rate	Principal	31 December 2021
TRY	20.5%	99,779,647	7,485,906
			7,485,906

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	16.0%	129,679,319	17,666,279
			17,666,279

Bond issued movement:

	31 December 2021	31 December 2020
Beginning of the year - 1 January	27,435,603	24,227,696
Additions	7,502,438	17,709,965
Repayments of borrowings	(4,876,585)	(10,898,440)
Currency translation differences	(7,295,282)	704,827
Changes in interest accruals	(4,849,237)	(4,308,445)
End of the period	**17,916,937**	**27,435,603**

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

16. TRADE PAYABLES

	31 December 2021	31 December 2020
Short-term trade payables	26,269,458	22,346,652
Notes payable	1,670	1,669
	26,271,128	22,348,321

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 76 days (31 December 2020: 63 days).

17. OTHER PAYABLES AND ACCRUED EXPENSES

	31 December 2021	31 December 2020
Accrued sales discounts and free samples (*)	699,539	1,390,996
Accrued vacation pay	632,872	1,075,276
Payroll taxes and dues payable	1,139,059	2,032,176
Deferred income (**)	389,203	673,844
Social security premiums payable	634,048	648,491
Accrued sales premiums and bonuses	515,710	627,513
Advances received	1,254,871	459,685
Accrued payroll	54,312	60,226
Other accruals and liabilities	6,079,612	12,809,523
	11,399,226	19,777,730

(*) US Dollar 515,710 of the amount relates to accrued reimbursement charges given to pharmacies and warehouses due to the price differences (2020: US Dollar 351,267).

	31 December 2021	31 December 2020
Long-term deferred income (**)	4,194,015	7,215,609
	4,194,015	7,215,609

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

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

18. PROVISIONS

	31 December 2021	31 December 2020
Provision for legal claims	942,364	891,170
	942,364	891,170

	Provision for legal claims	Total
At 1 January 2020	1,179,347	1,179,347
Charge for the year	801,013	801,013
Utilization of provision	(539,130)	(539,130)
Provision released	(325,085)	(325,085)
Translation effect	(224,975)	(224,975)
At 31 December 2020	891,170	891,170
At 1 January 2021	891,170	891,170
Charge for the year	937,522	937,522
Utilization of provision	(354,919)	(354,919)
Provision released	(131,021)	(131,021)
Translation effect	(400,388)	(400,388)
At 31 December 2021	942,364	942,364

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

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

19. TAXATION ON INCOME

	31 December 2021	31 December 2020
Current Tax Payable:		
Current corporate and income tax	986,754	2,259,547
	986,754	2,259,547

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

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Taxation:		
Current tax expense	(1,679,751)	(2,716,039)
Deferred tax expense	(1,082,279)	69,149
	(2,762,030)	(2,646,890)

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit before tax	148,344,614	107,036,658
Corporate income tax rate	0%	0%
Expected taxation	-	-
tax effects of:		
- r&d incentives deductions	5,194,627	2,760,903
- effect of different tax rate of subsidiaries operating in other jurisdiction	(27,285,638)	(23,363,102)
- used discounted tax rate effect, other than effective tax rate	18,782,593	24,027,579
- other	546,388	(6,072,270)
Income tax expense per consolidated statement of income	(2,762,030)	(2,646,890)

19. TAXATION ON INCOME (cont.)

Corporate Tax

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

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

Current and deferred income tax in Turkey

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

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 25% (will be applied as 23% for 2022 and 20% for 2023 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2021 and 2020, income tax provisions have been accrued in accordance with the prevailing tax legislation.75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

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

Tax assets and liabilities

Corporation tax

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

In Turkey, the corporate tax rate is 20%, according to Article 32 of the Corporate Tax Law (KVK). This rate had returned to the legal rate of 20% at the beginning of 2021, after being applied as 22% for the corporate earnings of the institutions for 2018, 2019, and 2020 taxation periods under the temporary article 10 of the KVK. With the temporary article 13 added to the KVK with the 11th article of the Law on the Collection Procedure of Public Receivables and Other Laws No. 7316, the corporate tax rate has been increased for a period of 2 years once again. According to the aforementioned temporary article, the legal corporate tax rate of 20% will be applied as 25% for the corporate earnings of the corporations for the 2021 taxation period, and as 23% for the corporate earnings for the 2022 taxation period. Unless a new legal regulation will be made, Article 32 of the KVK will come into effect, and the corporate tax rate will be back to the legal rate of 20% from the beginning of 2023. Within the scope of the aforementioned law, deferred tax assets and liabilities in the consolidated financial statements as of December 31, 2021, 23% for the amount that will have tax effect in 2022 and for the part that will have a tax effect in the following periods calculated with 20% rate.

19. TAXATION ON INCOME (cont.)

Tax assets and liabilities (cont.)

Corporate tax rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 25% (2020 – 22%) to be calculated based on earnings generated for each period. Temporary tax is declared by the 17th day of the second month following each period and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2021 and 2020, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

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

19. TAXATION ON INCOME (cont.)

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

	31 December 2021	31 December 2020
Basis difference on property, plant and equipment and intangible assets	(1,981,791)	(2,781,446)
Basis difference on inventory	2,510,369	2,053,890
Provision for employment termination benefits	670,333	919,201
Accrued vacation	145,561	215,055
Provision for legal cases	216,642	178,073
Amortization of discount on notes payables	(22,983)	(18,430)
Expense accruals due to price regulation	(489,049)	70,253
Other	910,097	1,303,008
Net deferred tax asset	1,959,179	1,939,604

Movement of deferred tax assets:	For the year ended 31 December 2021	For the year ended 31 December 2020
Opening balance	1,939,604	999,676
Charge for the year	(1,027,095)	160,973
Tax income recognized in other comprehensive income	3,718	(33,131)
Translation effect	1,042,952	812,086
Closing balance	1,959,179	1,939,604

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

20. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of US Dollar 622 and 970 (TRY equivalent of 8,285 and 7,117, respectively) for each period of service as at 31 December 2021 and 31 December 2020, respectively. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The provision as of 31 December 2021 has been calculated assuming annual inflation rates of 15% and a interest rate of 19.15%, resulting in real discount rates of approximately 3.61% (31 December 2020: 3.67%). The anticipated rate of retirement was 87.28% (2020: 88.13%). 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 Us Dollar 814 (TRY equivalent of 10,849) effective from 1 January 2022 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 2021	For the year ended 31 December 2020
Opening balance	4,596,003	4,683,196
Service cost	1,060,313	1,130,074
Interest cost	80,026	121,609
Benefits paid	(350,689)	(279,835)
Actuarial (loss) / gain	14,870	(165,657)
Translation effect	(2,048,857)	(893,384)
Closing balance	3,351,666	4,596,003

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

21. COMMITMENTS AND CONTINGENCIES

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

	Amount		31 December 2021 US Dollars
Letters of guarantee given	TRY	13,555,707	1,017,009
	EUR	-	-
	US Dollar	358,800	358,800
Promissory notes and collaterals given	TRY	404,944,675	30,380,724
	US Dollar	-	-
Loan secured by building	TRY	181,500,000	13,616,926
Pledges	TRY	-	-
			45,373,459

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

22. SHARE CAPITAL AND LEGAL RESERVE

Share capital

The authorized share capital of the Company is US Dollar 2,500,000,000 divided into 500,000,000 ordinary shares with a nominal value of five US Dollar per share. As at 31 December 2021 and 31 December 2020, 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 2021 (31 December 2020: US Dollar 99,774,445).

Legal reserves

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

Retained earnings

The Group’s accumulated profit as of 31 December 2021 and 31 December 2020 amounts to US Dolars 264,675,777 and US Dollars 145,781,280, respectively.

The Group paid US Dollars 6,455,404 dividend from its 2020 profit to its shareholders (31 December 2020: US Dollars 3,154,000 dividend from its 2019 profit to its shareholders).

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

23. REVENUE

	1 January - 31 December 2021	1 January - 31 December 2020
Human pharma revenue	266,521,474	261,802,442
Veterinary products revenue	18,673,288	16,607,193
Other revenue	3,422,538	10,604,605
	288,617,300	289,014,240

Sales amounts are presented net of sales returns and discounts.

24. COST OF SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Raw materials used	(77,932,832)	(89,119,153)
Direct labor cost	(5,518,341)	(5,662,456)
Production overheads	(23,801,742)	(27,579,684)
Depreciation and amortisation expenses	(4,253,361)	(3,863,381)
Change in work in process (*)	(1,103,301)	(1,019,153)
Change in finished goods (*)	(3,959,332)	2,041,274
	(116,568,909)	(125,202,553)

(*) Depreciation and amortization expense of US Dollars 2,420,241 (31 December 2020: US Dollars 1,138,032) has been capitalized on inventories.

25. OPERATING EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Research and development expenses (*)	(8,658,894)	(12,358,459)
Sales and marketing expenses	(26,303,706)	(19,324,270)
General administration expenses	(26,451,056)	(28,694,692)
	(61,413,656)	(60,377,421)

(*) As of 31 December 2021, the Group realized research and development expense amounting to US Dollars 2,672,895 for tangible assets and US Dollars 21,175,510for intangible assets with the total amount of US Dollars 23,848,405 (31 December 2020: US Dollars 18,971,898). As at the balance sheet date US Dollars 20,984,342 of the amount is from government grants and incentives (31 December 2020: US Dollars 16,940,240). Of this total amount US Dollars 23,613,298 was capitalized on development costs, of which US Dollars 5,451,670 consists of employee related expenses. 235,108 portion of the total US Dollars 8,323,192 cancelled project and other expenses refer to the current year.

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

25. OPERATING EXPENSES (cont.)

	1 January - 31 December 2021	1 January - 31 December 2020
Employee benefits expense	(35,957,037)	(30,545,128)
Depreciation and amortization expense	(5,090,067)	(5,126,070)
Transportation expense	(1,088,813)	(754,319)
Rent expense	(436,846)	(292,998)
Consultancy expense	(3,150,612)	(2,595,946)
Promotional and advertising expense	(4,532,006)	(2,618,528)
Other operating expenses	(17,303,723)	(23,912,719)
	(67,559,104)	(65,845,708)
Capitalized personnel expenses	6,145,448	5,468,287
	(61,413,656)	(60,377,421)

26. INVESTMENT REVENUE

	1 January - 31 December 2021	1 January - 31 December 2020
Discount interest income	69,260	42,315
Interest income	1,762,478	1,342,198
	1,831,738	1,384,513

27. FINANCE COSTS (net)

	1 January - 31 December 2021	1 January - 31 December 2020
Interest on bank borrowings	(17,687,171)	(12,259,247)
Lease liabilities interest cost	(3,154,265)	(673,831)
Foreign exchange loss on borrowings	(40,681)	(713,105)
Bond interest and expenses	(4,849,237)	(4,308,445)
Gain / (Loss) on derivative financial instruments	2,929,338	1,862,281
Amortization of discount on receivables	-	(5,088)
Other interest expense	(650,403)	(539,458)
	(23,452,419)	(16,636,893)

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

28. OTHER GAINS AND LOSSES

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gain	55,881,349	16,669,217
Gain on disposal of property, plant and equipment	1,991,337	818,397
Other (*)	1,457,874	1,367,158
	59,330,560	18,854,772

(*) For the year ended 31 December 2021 and 2020, other mainly consist of TUBITAK projects support income.

29. LOSS FROM INVESTMENT IN ASSOCIATES

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 401,466 and US Dollars 338,724 as of 31 December 2021, respectively. For the year ended 31 December 2021 there was no material revenues and loss.

30. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

30. SEGMENTAL INFORMATION (cont.)

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

For the year ended 31 December 2021	Human pharma	Veterinary products	Other	Total
External sales	266,521,474	18,673,288	3,422,538	288,617,300
Cost of sales	(103,465,735)	(10,686,283)	(2,416,891)	(116,568,909)
Operating expenses	(59,320,718)	(1,910,752)	(182,186)	(61,413,656)
Segment results	103,735,021	6,076,253	823,461	110,634,735
Investment revenue				1,831,738
Finance costs				(23,452,419)
Other gains and losses				59,330,560
Profit before tax				148,344,614
Tax expense				(2,762,030)
Net profit for the period				145,582,584

The Group is dependent on a limited number of distribution partners in Turkey. Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 26% and 38%. Net human pharma revenues attributed to these wholesalers were US Dollar 58,172,001 and US Dollar 84,990,139 respectively.

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

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

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

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 2021	For the year ended 31 December 2020
Weighted average number of shares (Note 22)	67,650,000	67,650,000
Net profit for the period attributable to the shareholders	119,606,753	85,645,590
Earnings per share	1.768	1.266

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

32. FOREIGN CURRENCY POSITION

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

31 December 2021	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	69,106,545	45,048,886	5,297	767	120,102,864
Trade receivables	4,320,694	6,432,634	1,301,043	-	13,022,822
Other assets	732,252	10,273,994	-	305,780	12,773,255
Total Assets	**74,159,491**	**61,755,514**	**1,306,340**	**306,547**	**145,898,941**
Trade payables	8,111,510	6,041,541	80,718	2,815	15,041,720
Short-term borrowings	-	-	-	-	-
Long-term borrowings	-	-	-	-	-
Other payables and accrued expenses	-	-	-	-	-
Total Liabilities	**8,111,510**	**6,041,541**	**80,718**	**2,815**	**15,041,720**
Net foreign currency position	**66,047,981**	**55,713,973**	**1,225,622**	**303,732**	**130,857,221**

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

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

33. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

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

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

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

	31 December 2021 USD	31 December 2020 USD
Financial liability	131,235,066	149,860,950
Less: Cash and cash equivalents	(123,846,498)	(104,019,380)
Liability (net)	7,388,568	45,841,570
Total equity	267,440,778	284,546,937
Total invested capital	117,618,449	171,699,554
Liability (net) / Total invested capital rate	6%	27%

(b) Significant accounting policies

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

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

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories

31 December 2021	Loans measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	123,846,498	-	-	123,846,498	5
Trade receivables	76,048,954	-	-	76,048,954	6
Financial liabilities					
Borrowings	-	-	131,235,066	131,235,066	15
Trade payables (including related parties)	-	-	26,275,357	26,275,357	7-16
31 December 2020					
Financial assets					
Cash and cash equivalents	104,019,380	-	-	104,019,380	5
Trade receivables	94,856,860	-	-	94,856,860	6
Financial liabilities					
Borrowings	-	-	149,860,950	149,860,950	15
Trade payables (including related parties)	-	-	22,352,738	22,352,738	7-16

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

33. FINANCIAL RISK MANAGEMENT (cont.)

(d) Financial risk management objectives

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

(e) Market risk

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

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

(f) Foreign currency risk management

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

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

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

Foreign currency sensitivity

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

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

	Year ended 31 December 2021	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(132,053,031)	(126,080,999)

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

The equity effect of 20% devaluation in the exchange rate of TRY against USD is US Dollar 75,572,778 as the functional currencies of Turkish subsidiaries are Turkish Lira.

33. FINANCIAL RISK MANAGEMENT (cont.)

(g) Interest rate risk management

The Group has a number of borrowings with interest rates that are based on market interest rates. Therefore the Group is subject to market risk deriving from changes in interest rates, which may affect the cost of current floating rate indebtedness and future financing. The Group management seeks to manage this risk by maintaining an appropriate mix between fixed and floating rate borrowings. As at 31 December 2021, 50% of total indebtedness was floating rate and mainly denominated in Turkish Lira and Euro. Interest rates are fixed in short-term loans. The Group does not enter into long-term loans denominated in Turkish Lira.

<u>Interest rate sensitivity</u>

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 2021 would decrease by US Dollar 330,285 net of tax (31 December 2020: decrease by US Dollar 334,479). If Libor and Euribor had been 50 basis points lower, the profit of the Group for the year ended would increase with the same absolute amount. The equity effect is nil.

(h) Credit risk management

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

(i) Liquidity risk management

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

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

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

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

33. FINANCIAL RISK MANAGEMENT (cont.)

(i) Liquidity risk management (cont.)

Liquidity analysis

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

31 December 2021	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	131,235,066	151,360,595	30,882,257	27,682,826	5,773,454	29,183,050	29,617,924	28,221,084
Trade payables	26,271,128	26,371,053	25,992,535	378,518	-	-	-	-
Due to related parties	4,229	-		-	-	-	-	-
	176,463,292	177,731,648	56,874,792	28,061,344	5,773,454	29,183,050	29,617,924	28,221,084

31 December 2020	Carrying value	Cashflow according to the agreement	Less than 3 month	3 – 6 month	6 – 9 month	9 month – 1 year	1 – 3 year	3 + year
Bank borrowings and bonds issued	149,860,950	178,339,838	34,289,342	25,217,506	11,650,032	37,784,943	20,783,439	48,614,576
Trade payables	22,348,321	22,440,472	22,407,456	33,016	-	-	-	-
Due to related parties	4,417	-	-	-	-	-	-	-
	172,213,688	200,780,310	56,696,798	25,250,522	11,650,032	37,784,943	20,783,439	48,614,576

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

34. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2021 and 31 December 2020, the Group has derivative instruments as follows:

	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	-	-	-	(524,779)
	-	-	-	(524,779)

	1 January-31 December 2021	1 January-31 December 2020
Currency translation	-	25,259
Foreign exchange loss that is recognized to profit or loss (*)	-	(550,038)
Net Asset/(Liability)	-	(524,779)

(*) For the period between 1 January and 31 December 2021, foreign exchange loss is recognized in financial expense.

35. SUBSEQUENT EVENTS

None.