

**Acıbadem Sağlık Hizmetleri ve Ticaret
Anonim Şirketi and Its Subsidiaries**
Convenience Translation into English of
Consolidated Financial Statements as at
and for the year ended
31 December 2014
With Independent Auditors' Report
Thereon

2 March 2015

This report includes 2 pages of independent auditors' report and 86 pages of consolidated financial statements together with their explanatory notes.

**Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi
and Its Subsidiaries**

Table of Contents

Independent Auditor's Report
Consolidated Statement of Financial Position
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements



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**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish to English**

To the Board of Directors of Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "Group") which comprise the financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Group Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2014, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Serkan Ercin, SMMM
Partner
2 March 2015
İstanbul, Türkiye



Table of Contents

	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6-90
1 Organization and nature of business	6
2 Basis of presentation of the consolidated financial statements	13
3 Segment reporting	36
4 Cash and cash equivalents	36
5 Financial liabilities	37
6 Trade receivables and payables	41
7 Other receivables and payables	42
8 Inventories	43
9 Property and equipment	44
10 Intangible assets	47
11 Goodwill	48
12 Provisions	50
13 Commitments	51
14 Employee benefits	54
15 Post employment benefits	55
16 Prepaid expenses	55
17 Other assets and liabilities	55
18 Deferred income	56
19 Equity	56
20 Revenue and Cost of Revenue	58
21 Selling, marketing and distribution expenses, general administrative expenses	58
22 Expenses by nature	59
23 Other operating income and expenses	60
24 Income from investment activities	61
25 Financial income and expenses	61
26 Tax assets and liabilities	61
27 Earnings per share	66
28 Related parties	66
29 Nature and level of risks arising from financial instruments	71
30 Financial Instruments: Fair value disclosure	84
31 Operating leases	86
32 Subsequent events	86

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries**Statement of Financial Position as at 31 December 2014***Amounts expressed in Turkish Lira ("TL") unless otherwise stated.*

		<i>Audited</i>	
	<i>Notes</i>	31 December 2014	31 December 2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	147,613,489	212,228,692
Trade Receivables		263,569,708	171,540,422
- <i>Due from Related Parties</i>	28	25,379,769	15,955,708
- <i>Other Trade Receivables</i>	6	238,189,939	155,584,714
Other Receivables		12,002,899	7,760,527
- <i>Other Receivables from Related Parties</i>	28	914,297	511
- <i>Other Receivables</i>	7	11,088,602	7,760,016
Inventories	8	39,124,109	30,413,290
Prepaid Expenses	16	6,112,192	9,064,751
Current tax related assets		667,062	5,088,045
Other Current Assets	17	89,499,482	65,111,076
		1,140,796,767	1,019,450,774
Non-Current Assets			
Other Receivables		7,140,520	661,652
- <i>Other Receivables from Related Parties</i>	28	6,294,682	--
- <i>Other Receivables</i>	7	845,838	661,652
Property and Equipment	9	875,987,908	767,613,709
Intangible Assets	10	27,260,190	25,070,187
Goodwill	11	169,659,985	169,659,985
Deferred Tax Assets	26	32,400,418	36,834,578
Prepaid Expenses	16	9,947,125	11,197,052
Other Non-Current Assets		18,400,621	8,413,611
- <i>Others</i>	17	18,400,621	8,413,611
TOTAL ASSETS		1,699,385,708	1,520,657,577

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

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Statement of Financial Position as at 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

		<i>Audited</i>	
		31 December 2014	31 December 2013
LIABILITIES			
Current Liabilities		633,960,110	491,315,956
Short Term Financial Liabilities	5	199,594,440	81,795,230
Short-term Portion of Long-term Bank Borrowings	5	102,664,025	90,885,145
Other Financial Liabilities	30	-	1,466,279
Trade Payables		159,317,449	158,654,796
- Due to Related Parties	28	30,390,103	40,257,391
- Other Trade Payables	6	128,927,346	118,397,405
Payables Related to Employee Benefits	14	30,556,297	24,139,410
Other Payables		31,714,415	43,626,729
- Due to Related Parties	28	28,480,427	21,718,383
- Other Payables	7	3,233,988	21,908,346
Deferred Income	18	2,688,346	1,965,135
Corporate Tax Payable	26	4,105,830	1,510,404
Provisions		88,109,073	73,164,908
-Short-term Provisions for Employee Benefits	12	2,040,068	1,600,000
-Other Provisions	12	86,069,005	71,564,908
Other Current Liabilities	17	15,210,235	14,107,920
Non-Current Liabilities		808,828,861	846,999,440
Financial Liabilities	5	780,748,576	803,993,190
Trade Payables		2,858,472	17,011,346
- Other Trade Payables	6	2,858,472	17,011,346
Long-term Payables Due to Employee Benefits	14	4,935,340	4,462,052
Deferred Income	18	311,456	1,749,352
Deferred Tax Liability	26	19,975,017	19,783,500
EQUITY		256,596,737	182,342,181
Equity Attributable to Equity Holders of Parent		237,282,911	166,431,976
Paid-in Capital	19	100,000,000	100,000,000
Legal Reserves	19	18,518,713	16,921,354
Other comprehensive income/(expense) to be reclassified to profit or loss		503,255	791,579
- Translation Reserves		503,255	791,579
Other comprehensive income not to be reclassified to profit or loss		(8,663,484)	(4,142,163)
- Actuarial losses arising from employee benefits		(8,663,484)	(4,142,163)
Retained Earnings	19	51,263,847	47,868,719
Net Profit For the Year		75,660,580	4,992,487
Non-Controlling Interest		19,313,826	15,910,205
TOTAL LIABILITIES AND EQUITY		1,699,385,708	1,520,657,577

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

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

	<i>Note</i>	<i>Audited</i>	
		Current period	Prior Period
		1 January- 31 December 2014	1 January - 31 December 2013
Revenues	20	1,727,913,000	1,446,866,825
Cost of Revenues	20	(1,387,984,000)	(1,167,796,538)
GROSS PROFIT		339,929,000	279,070,287
Selling, Marketing and Distribution Expenses (-)	21	(54,672,249)	(46,010,394)
General and Administrative Expenses (-)	21	(91,626,300)	(68,788,404)
Other Operating Income	23	12,783,737	11,244,530
Other Operating Expense (-)	23	(16,246,895)	(18,738,037)
OPERATING PROFIT		190,167,293	156,777,982
Income from Investment Activities	24	8,357,000	12,817,166
Expense from Investment Activities (-)	24	(101,000)	(72,631)
OPERATING PROFIT BEFORE FINANCIAL INCOME		198,423,293	169,522,517
Finance Income	25	235,786	246,730
Finance Expense (-)	25	(97,934,198)	(156,915,391)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		100,724,881	12,853,856
Tax Expense from Continuing Operations		(20,018,249)	(2,689,082)
Current Tax Expense	26	(14,262,187)	(4,900,565)
Deferred Tax Benefit / (Expense)	26	(5,756,062)	2,211,483
NET PROFIT FOR THE YEAR		80,706,632	10,164,774
Other Comprehensive Income			
Items to be reclassified to profit or loss in subsequent periods:		(288,376)	840,801
Change in currency translation differences		(288,376)	840,801
Items not to be reclassified to profit or loss in subsequent periods:		(4,521,321)	(4,142,163)
-Actuarial Losses Arising From Employee Benefits		(5,651,651)	(5,177,704)
-Tax effect of actuarial loss from employee benefits		1,130,330	1,035,541
TOTAL OTHER COMPREHENSIVE INCOME		(4,809,697)	(3,301,362)
TOTAL COMPREHENSIVE INCOME		75,896,935	6,863,412
Net Profit Attributable to		80,706,632	10,164,774
Non-Controlling Interests		5,046,052	5,172,287
Owners of the Company		75,660,580	4,992,487
Total Comprehensive Income Attributable to		75,896,935	6,863,412
Non-Controlling Interests		5,046,000	5,172,287
Owners of the Company		70,850,935	1,691,125
Earnings per Share (for 1000 shares)	27	756.61	49.92
Diluted Earnings per Share (for 1000 shares)		756.61	49.92

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

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Statement of Changes in Equity As at and For the Year Ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

			Other Comprehensive Income or Expenses To Be Reclassified To Profit or Loss	Other Comprehensive Income or Expenses Not To Be Reclassified To Profit or Loss	Retained Earnings				
	Share Capital	Reserves	Translation Reserve	Actuarial Gains/ (Losses) from Defined Pension Plans	Retained Earnings	Net Profit for The Year	Total	Non-Controlling Interest	Total Equity
As of 1 January 2013	100,000,000	9,679,133	(49,222)	--	7,415,951	80,094,560	197,140,422	13,564,012	210,704,434
Total Comprehensive Income for the Year									
Profit for the Year	--	--	--	--	--	4,992,487	4,992,487	5,172,287	10,164,774
Other Comprehensive Income	--	--	840,801	(4,142,163)	--	--	(3,301,362)	--	(3,301,362)
Total Other Comprehensive Income	--	--	840,801	(4,142,163)	--	--	(3,301,362)	--	(3,301,362)
Total Comprehensive Income for the Year	--	--	840,801	(4,142,163)	--	4,992,487	(3,301,362)	5,172,287	6,863,412
Transactions with Owners of the Company, Recognised Directly in Equity									
Contributions by and Distributions to Owners of the Company									
Dividends	--	--	--	--	(25,878,457)	--	(25,878,456)	(2,826,094)	(28,704,550)
Transfers	--	7,242,221	--	--	72,852,340	(80,094,560)	--	--	--
Changes in Ownership Interests in Subsidiaries									
Acquisition of Non-Controlling Interest Without a Change in Control	--	--	--	--	(6,521,115)	--	(6,521,115)	--	(6,521,115)
As of 31 December 2013	100,000,000	16,921,354	791,579	(4,142,163)	47,868,719	4,992,487	166,431,976	15,910,205	182,342,181
As of 1 January 2014	100,000,000	16,921,354	791,579	(4,142,163)	47,868,719	4,992,487	166,431,976	15,910,205	182,342,181
Total Comprehensive Income for the Year									
Profit for the Year	--	--	--	--	--	75,660,580	75,660,580	5,046,052	80,706,632
Other Comprehensive Income	--	--	(288,324)	(4,521,321)	--	--	(4,809,645)	--	(4,809,645)
Total Other Comprehensive Income	--	--	(288,324)	(4,521,321)	--	--	(4,809,645)	--	(4,809,645)
Total Comprehensive Income for the Year	--	--	(288,324)	(4,521,321)	--	75,660,580	70,850,935	5,046,052	75,896,987
Transactions with owners of the Company, recognised directly in Equity									
Contributions by and Distributions to Owners of the Company									
Dividends	--	--	--	--	--	--	--	(1,642,431)	(1,642,431)
Transfers	--	1,597,359	--	--	3,395,128	(4,992,487)	--	--	--
As of 31 December 2014	100,000,000	18,518,713	503,255	(8,663,484)	51,263,847	75,660,580	237,282,911	19,313,826	256,596,737

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

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Statements of Cash Flows for the Year Ended 31 December 2014

Amount expressed in Turkish Lira ("TL") unless otherwise stated.

	<i>Note</i>	<i>Audited</i>	
		2014	2013
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year		80,706,632	10,164,774
Adjustments for:			
Depreciation and Amortisation Expense	9,10,22	119,032,916	102,068,122
Provisions for Employee Severance Indemnity	14	1,577,056	2,360,055
Provision for Unused Vacation	12	440,068	1,600,000
Provision for Doubtful Receivables	6	3,438,850	3,326,750
Rediscount Interest Income/(Loss)		(479,746)	581,375
Unrealized Foreign Exchange Differences		42,084,805	115,047,060
Patient Income Accruals	17	(4,858,974)	(8,128,251)
Doctor Expense Accruals	12	11,595,575	13,036,615
Expense Accruals	12	(953,737)	3,997,980
Tax Expense	26	20,018,249	2,689,401
Provisions Related to Forward Transactions		(1,466,279)	(6,732,815)
Interest Income	24	(4,352,905)	(4,271,032)
Interest Expense	25	44,253,949	34,682,781
Foreign Exchange Differences on Fixed Assets		846,255	(4,882,359)
Gain on Sale of Property and Equipment (Net)		(2,436,394)	72,631
Net operating profit before changes in capital		309,446,320	265,612,768
Change in Trade Receivables		(102,932,059)	(29,404,706)
Change in Inventory		(8,710,819)	(5,673,828)
Change in Other Receivables		(29,839,130)	1,696,465
Change in Other Current Assets		(8,756,115)	(4,079,727)
Change in Prepaid Expenses		4,202,487	315,139
Change in Other Non-current Assets		9,987,013	(5,022,952)
Change in Employee Benefits		6,416,887	2,478,409
Change in Deferred Income		688,130	(1,212,379)
Change in Trade Payables		(2,905,112)	26,538,862
Change in Due to Related Parties		6,779,425	7,575,617
Change in Expense Accruals		3,862,258	(31,679,728)
Corporate Taxes Paid		(11,666,761)	(14,614,308)
Change in Other Payables		(20,022,689)	13,702,586
Change in Other Liabilities		1,102,315	1,953,125
Employee Severance Indemnity Paid	14	(6,755,419)	(5,382,788)
Net Cash Generated from Operating Activities		150,896,731	222,802,555
B. CASH FLOW FROM INVESTING ACTIVITIES			
Interest Received	24	4,352,905	4,271,032
Acquisition of Property and Equipment	9	(260,884,887)	(243,169,405)
Proceeds from Sale of Property and Equipment		36,738,785	2,196,886
Acquisition of Intangible Assets	10	(4,709,098)	(5,410,054)
Proceeds from Sale of Intangible Assets		848,221	161,959
Cash Outflow from Acquisition of Subsidiaries		--	(23,088,600)
Net Cash Used in Investing Activities		(223,654,074)	(265,038,182)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Bank Borrowings		188,357,229	437,168,467
Repayment of Bank Borrowings		(91,576,155)	(137,921,144)
Payment of Finance Lease Liabilities		(32,875,266)	(8,331,565)
Proceeds from Borrowings Obtained from Related Parties		(9,867,288)	(7,760,236)
Acquisition of Non-controlling Interest		--	(6,521,115)
Interest Paid	25	(44,253,949)	(34,682,781)
Proceeds from Release of Restricted Cash Balance		--	29,437,852
Dividends Paid		(1,642,431)	(28,704,550)
Net Cash (Used in)/from Financing Activities		8,142,140	242,684,928
Net (Decrease)/Increase in Cash and Cash Equivalents		(64,615,203)	200,449,301
Cash and Csh Equivalents at 1 January		212,228,692	11,779,391
Cash and Cash Equivalents at 31 December	4	147,613,489	212,228,692

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

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business

Acıbadem Sağlık was incorporated in 1991 in İstanbul, and provides healthcare services in sixteen general hospitals (Kadıköy, Bakırköy, Kozyatağı, Fulya, Eskişehir, Bursa, Kocaeli, Maslak, Kayseri, Adana, International Hospital, Aile Bahçelievler, Sistina Hospital, Ankara, Bodrum and Atakent), thirteen medical centers (Ataşehir, Beylikdüzü, Bağdat, Etiler, Göktürk, Levent, Gemtıp, Bodrum Medikal, Medlife, Sesu, Turgut Reis, Acıbadem Sports, Bahçeşehir), and laboratories (Labmed Klinik Laboratuvarları, Merkez Patoloji Laboratuvarı, Genetik Tanı ve Hücre Tedavi Merkezi, Labvital Gıda Kontrol Laboratuvarı). In addition to its core business in health care the Company is engaged in healthcare related community services such as courses and seminars about first aid, diabetics, smokeless living, infant and elderly care.

The Company complies with “Joint Commission International” accreditation standards and ISO 9001 Quality Management System standards in its services in order to provide better quality care and security for the patients.

The Company is registered to Capital Markets Board (“CMB”). As a result of the Company’s request dated 24 April 2012 and 19 September 2012 regarding the delisting of the Company’s shares traded at National Exchange in accordance with the CMB’s “Principles and Conditions Regarding the Voluntary Delisting of Publicly Traded Companies”;

* Following the delisting request of the Company from the Istanbul Stock Exchange (“ISE”), a tender offer was made in conjunction with purchases of investor shares.

* In accordance with CMB’s regulations dated 30 July 2010, a blocked reserve account of TL 9,016,073.42 at İMKB Takas ve Saklama Bankası A.Ş. for the purpose of acquiring the shares of investors whom did not respond to the tender offers for a period of three years commencing from the ISE board resolution date was considered (reserve account is TL 1,487,883 as at 31 December 2014).

Based on the ISE’s board resolution dated 27 September 2012, it is decided that the shares representing the Company’s paid-in capital of TL 100,000,000 were suspended from trading at ISE in accordance with ISE’s Quotation Procedures Article 25 and CMB’s regulations of delisting as stated above. Trading activity ceased following the second session of the exchange at 4 October 2012.

The head office of the Company is located at “Tekin Sok. No.8, Üsküdar/İstanbul.”

As at 31 December shareholder structure of the Company is as follows:

<u>Shareholder’s Name</u>	<u>31 December 2014 Share(%)</u>	<u>31 December 2013 Share(%)</u>
Acıbadem Sağlık Yatırımları Holding	99.38	99.28
Other individuals	0.62	0.64
Publicly owned shares	0.00	0.08
	<u>100.00</u>	<u>100.00</u>

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

Acıbadem Kadıköy Hospital

The hospital is located in Acıbadem- İstanbul. Indoor area of 17,600 m² and seven-story hospital building has been rented for 25 years starting from 1 July 1995. The hospital is the Company’s first hospital and has been operating since 1991.

Acıbadem Bakırköy Hospital

The hospital was located at the Carousel Shopping Centre in Bakırköy- İstanbul and started to provide health care services in July 2000. The hospital has 15 floors and is built over a total area of 17,500 m². The hospital building has been rented for 15 years starting from 1 July 1999.

Acıbadem Kozyatağı Hospital

The hospital building is located in Kozyatağı- İstanbul. Indoor area of 14,000 m² has been rented for a period of 15 years starting from 1 May 2001. The hospital started to accept patients on 29 June 2004 and specialized in a neurology and cancer treatment.

Acıbadem Fulya Hospital

Acıbadem Fulya Hospital commenced its operations on 20 September 2010. The hospital has an indoor area of 22,000 m². The hospital building has been rented from Beşiktaş Jimnastik Kulübü Derneği for 20 years and hospital infrastructure and medical equipment were provided directly by the Company.

Acıbadem Eskişehir Hospital

Acıbadem Eskişehir Hospital started its operations in 20 September 2010. The hospital has an indoor area of 20,000 m². The hospital building has been rented for 20 years and hospital infrastructure and equipment investments have been directly made by the Company. Apart from the dentistry the hospital has an agreement with SGK.

Acıbadem Bursa Hospital

Acıbadem Bursa Hospital built over an indoor area of 30,000 m². The hospital has commenced its operations on 19 February 2006.

Aile Hospital Bahçelievler

The 7 floor hospital building is located in Bahçelievler- İstanbul with an indoor area of 6,817 m² has been rented for a period of 5 years starting from 1 June 2011. The Hospital joined the Group on 1 June 2011 whereas it has been operating since 1 December 1999.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

Acıbadem Kocaeli Hospital

Acıbadem Kocaeli Hospital has commenced its operations in November 2006. An indoor area of 6,500 m² and 6 floors is rented for a period of ten years starting from 23 April 2006 and rent payment has started on 1 January 2007.

Acıbadem Maslak Hospital

Acıbadem Maslak Hospital has commenced its operations on 2 March 2009. The hospital is serving in all branches of medicine, infertility treatment and in vitro fertilization, the third level infant intensive care and provides service with rapid arc technology in oncology treatments. The primary aim of the hospital is to provide healthcare services in general surgery, obstetrics, gynecology, internal diseases and infant diseases. Besides the hospital has a high level diagnosis and treatment laboratory of electrophysiology and interventional radiology.

Acıbadem Adana Hospital

Acıbadem Adana Hospital started to accept patients on 17 February 2009. The hospital has an indoor area of 20,000 m².

Acıbadem Kayseri Hospital

Acıbadem Kayseri Hospital started to accept patients on 23 March 2009 and it has an indoor area of 20,000 m².

Acıbadem Bodrum Hospital

Acıbadem Bodrum Hospital started to accept patients on 11 June 2012. The hospital provides services with an indoor area of 12.000 m².

Acıbadem Ankara Hospital

Acıbadem Ankara Hospital started to accept patients on 27 November 2012. The hospital provides services with an indoor area of 11,000 m². Advanced diagnostic and treatment services are provided to the patients via Flash CT, fast and low radiation tomography device and digital mammography equipment with 3D tomosynthesis capability. In addition, advanced level radiology methods include digital x-rays, 1.5 Tesla MR, Meme US, colored doppler, panoramic x-rays with sefalometry capability.

Acıbadem Atakent Hospital

Acıbadem Atakent Hospital which operates as “university hospital” of Acıbadem University, started to accept patients on 02 January 2014. The hospital provides services with an indoor area of 60,000 m².

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

For the year ended 31 December 2014, The Group has commenced the construction of greenfield hospital and hospital expansion projects in Taksim-İstanbul, Maslak-İstanbul and Altunizade-İstanbul.

At 31 December 2014 consolidated subsidiaries of the Company comprised the following:

- Acıbadem Labmed Sağlık Hizmetleri Anonim Şirketi (“Acıbadem Labmed”)
- Acıbadem Mobil Sağlık Hizmetleri Anonim Şirketi (“Acıbadem Mobil”)
- Acıbadem Orta Doğu Sağlık Yatırımları Anonim Şirketi (“Acıbadem Orta Doğu”)
- Acıbadem Poliklinikleri Anonim Şirketi (“Acıbadem Poliklinikleri”)
- Acıbadem Sistina Medikal Kompani Doo Skopje” (“Acıbadem Sistina Medikal”)
- Bodrum Medikal Özel Sağlık Hizmetleri Sanayi ve Ticaret Anonim Şirketi (“Bodrum Medikal”)
- Bodrum Tedavi Hizmetleri Anonim Şirketi (“Bodrum Tedavi”)
- Clinical Hospital Acıbadem Sistina Skopje (“Acıbadem Sistina Hastanesi”)
- Gemtıp Özel Sağlık Hizmetleri Sanayi ve Ticaret Limited Şirketi (“Gemtıp”)
- International Hospital İstanbul Anonim Şirketi (“International Hospital”)
- Medlife Clinic Ambulance ve Özel Sağlık Hizmetleri Anonim Şirketi (“Medlife”)
- Özel Turgutreis Poliklinik Hizmetleri Ticaret Anonim Şirketi (“Turgutreis”)
- Sesu Özel Sağlık Hizmetleri Tıbbi Malzemeler ve Ticaret Anonim Şirketi. (“Sesu”)

The Company and its consolidated subsidiaries are collectively named as “Group”.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

The nature of the activities of the consolidated subsidiaries is as follows:

Acıbadem Poliklinikleri

Acıbadem Poliklinikleri provides healthcare services to outpatients with fourteen medical centers (Etiler, Bağdat Caddesi, Ataşehir, Göktürk, Beylikdüzü, Levent, Acıbadem Sports, Bahçeşehir, Konur, Gemtup, Bodrum Medikal, Medlife, Sesu and Turgutreis).

Acıbadem Göz Sağlığı Hizmetleri Anonim Şirketi was established in June 2003 in İstanbul and merged with Acıbadem Poliklinikleri, on 24 October 2008.

Acıbadem Labmed

Acıbadem Labmed was established on 28 August 2001 under the name of Acıbadem Sağlık Yönetimi Anonim Şirketi, in İstanbul. On 24 February 2004 the name of the company was changed to Acıbadem Labmed Sağlık Hizmetleri A.Ş and a partnership was established with Labmed Dortmund GmbH-Germany to engage in laboratory services. The company has two branches located in Adana and Bursa.

International Hospital

International Hospital was established in 1989. The hospital provides inpatient, outpatient and emergency care services with the indoor area of 19,300 m² located on Yeşilköy-İstanbul. Acıbadem Sağlık acquired International Hospital, 90% of total shares on 20 August 2005 and 27 March 2009.

Acıbadem Sistina Hastanesi ve Acıbadem Sistina Medikal

Acıbadem Sistina Hospital was incorporated on 21 October 2011 in Skopje – Macedonia. The company provides cardiology, heart surgery, general surgery, internal medicine, gynecology, urology and orthopedics services. The hospital has radiofrequency and laser applications, ultrasonic systems, diametric applications, diagnosis laboratories, nuclear medicine applications, anesthesia and intensive care units.

Acıbadem Sistina Medikal is the owner of hospital building located in Skopje and medical equipments which are leased by Acıbadem Sistina Hospital. Acıbadem Sistina Medikal was acquired on 21 October 2011 by the Group.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

Gemtp

Gemtp Gemlik Tıp Merkezi was acquired on 14 March 2011 and provides healthcare services in Hamidiye, Bursa. Gemtp has contracts with private health insurance companies, public entities and Social Security Institution. The medical services provided at the medical center are general surgery, pediatrics, gynecological and delivery surgery, internal medicine, orthopaedics, traumatology and physical therapy and rehabilitation.

Acıbadem Mobil

Acıbadem Mobil provides emergency health care services and ambulatory services since 7 July 2008.

Acıbadem Ortadoğu

The Company was established on 28 May 2012 and the main purpose of the company is investing in foreign hospital, medical center and other healthcare related projects in Middle East region.

Bodrum Tedavi

Bodrum Tedavi Hizmetleri was established on 20 July 2012 and was acquired by the Group on 7 August 2012. Bodrum Tedavi controls Medlife, Sesu, Turgut Reis and Bodrum Medikal which provides outpatient services at four separate locations in three districts of Bodrum-Muğla (Bodrum Central, Gümbet and Turgutreis).

Mergers realised in 2014

On 30 September 2014, Konur Sağlık Hizmetleri A.Ş., a wholly owned subsidiary of Acıbadem Sağlık providing laboratory services in Anatolia region of Turkey, was merged with the Labmed under the related section of “Simplified Merger of Joint Stock Companies” under respective articles of Turkish Commercial Code and Corporate Tax Law.

On 11 December 2014, BLAB Laboratuvar Hizmetleri A.Ş., was merged with Acıbadem Poliklinikleri A.Ş. through same provisions of the legislation noted above.

Above mentioned mergers are under common control transactions.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

1 Organization and Nature of Business (continued)

The related parties of the Group are as follows:

- SZA Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. eski ünvanı Acıbadem Holding Anonim Şirketi (“SZA Gayrimenkul”)
- Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi (“Acıbadem Sigorta”)
- Acıbadem Proje Yönetimi Anonim Şirketi (“Acıbadem Proje”)
- Aplus Hastane ve Otelcilik Hizmetleri Anonim Şirketi (“Aplus Otelcilik”)
- Acıbadem Sağlık Yatırımları Holding Anonim Şirketi (“Acıbadem Sağlık Yatırımları”)
- Akademia Sağlık Hizmet ve Sistemleri Yönetim ve Danışmanlık Anonim Şirketi (“Akademia”)
- Acıbadem Eğitim ve Sağlık Vakfı (“Acıbadem Vakfı”)
- Telepati Tanıtım Hizmetleri Anonim Şirketi (“Telepati Tanıtım”)
- Acıbadem Üniversitesi (“Acıbadem Üniversite”)
- Kerem Aydınlar Vakfı (“Kerem Aydınlar Vakfı”)
- Aydınlar Sağlık Hizmetleri Limited Şirketi (“Aydınlar Sağlık”)
- Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi (“Acıbadem Sigorta Aracılık”)
- IHH Berhad iştirakleri ve bağlı ortaklıkları (24 Ocak 2012 tarihinden itibaren ilişkili kuruluş olmuştur)
- Bagan Lalang Ventures Sdn. Bhd. (24 Ocak 2012 tarihinden itibaren ilişkili kuruluş olmuştur)
- Acıbadem Dış Limited Şirketi (“Acıbadem Dış Limited”)
- Çukurova Bilim Laboratuvarları Anonim Şirketi (“Çukurova Bilim”)
- Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi (“Acıbadem Sigorta”)
- Acıbadem Üniversitesi Spor Kulübü Derneği (“ACU Spor Kulübü Derneği”)
- Acıbadem Meslek Okulları A.Ş.
- Acıbadem Üniversitesi İktisadi İşletmesi (“ACU İktisadi İşletmesi”)

The companies listed above have neither direct nor indirect capital and management relationships with Acıbadem Sağlık Hizmetleri Anonim Şirketi (“Acıbadem Sağlık”) and not consolidated with the Group in the accompanying financial statements.

As at 31 December 2014, the Group employed 14,767 personnel (31 December 2013: 12,774), consisting of 6,425 administrative personnel (31 December 2013: 5,334), 8,094 doctors, nurses and medical personnel (31 December 2013: 7,222), and 248 personnel employed on contractual basis (31 December 2013: 218).

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements

2.1 *Statement of compliance*

Except its subsidiaries located in Macedonia, the Group maintain its book of accounts and prepares its statutory financial statements in Turkish Lira in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code.

Foreign subsidiaries maintain their book of accounts and prepare financial statements in accordance with their own laws and regulations stated in their local currencies.

Accompanying consolidated financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 2013.

The accompanying consolidated financial statements of the Group have been approved by the Board of Directors of Acıbadem Sağlık Yatırımları Holding A.Ş. on 16 February 2015. The general assembly of the shareholders and legal authorities has the authority to change the accompanying consolidated financial statements.

With the resolution taken on 17 March 2005, CMB has announced that, effective from 1 January 2005, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” issued by KGK is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

Since 1 January 2005, the consolidated financial statements have not been adjusted in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies”.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements *(continued)*

2.1.1 *Functional and presentation currency*

The Group’s subsidiaries located in Turkey maintain its book of accounts and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code. Foreign subsidiaries located in Macedonia maintain their book of accounts and prepare financial statements in Macedonian Dinar (“MKD”) in accordance with their own laws and regulations stated in their local currencies. These consolidated financial statements of the Group except foreign subsidiaries are presented in TL, which is the Group’s functional currency. All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

2.1.2 *Basis of consolidation*

The accompanying consolidated financial statements include the accounts of Acıbadem Sağlık Hizmetleri Anonim Şirketi and its subsidiaries and the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

As at 31 December, the subsidiaries in which the Group owns direct or indirect control their operations and the ownership interests are given below:

Subsidiaries	Ownership percentage (%)	
	31 December 2014	31 December 2013
Acıbadem Poliklinikleri	99.99	99.99
International Hospital	90.00	90.00
Acıbadem Orta Doğu	90.00	90.00
Acıbadem Mobil	99.99	99.99
Acıbadem Labmed	99.99	99.99
Gemtip	68.00	68.00
Bodrum Tedavi	60.00	60.00
Medlife	59.99	59.99
Bodrum Medikal	59.99	59.99
Sesu	59.83	59.83
Turgutreis	59.99	59.99
Acıbadem Sistina Hastanesi	50.32	50.32
Acıbadem Sistina Medikal	50.00	50.00
BLAB (**)	--	99.99
Konur Sağlık (*)	--	99.99

(*) Entity has been merged with Acıbadem Polikliniklikleri A.Ş. and no longer considered as a subsidiary of the Group.

(**) Entity has been merged with Labmed and no longer considered as a subsidiary of the Group.

As at 31 December 2014, subsidiaries are consolidated with full consolidation method and non-controlling interests on the subsidiaries are reflected as a non-controlling interest.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.2 Basis of consolidation (continued)

(ii) *Acquisition of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

2.1.2 Basis of consolidation (continued)

(iii) *Acquisitions through business combinations:*

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

The fair value of the consideration transferred; plus

- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(iv) *Loss of control*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) *Transaction eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Consolidation adjustments

The balance sheets and income statements of subsidiaries are consolidated by using the full consolidation method and investments in subsidiaries and related share capital reflected in the equity are eliminated. Net assets of the subsidiaries which are not directly and /or indirect under the control of the parent company are reflected as “Non-controlling Interest” line of the balance sheet, and the net profit or loss which is not under the control of the parent company, is reflected as “Non-controlling Interest” line in the income statement. Transactions and balances between consolidated companies are eliminated during consolidation. Profit and loss occurred transactions of participation, main partnership and consolidated subsidiaries, were classified/ arranged in accordance with share of main partnership in

participation. However, if losses after all these transactions showed the decline of value, then classification/arrangement did not exercise.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.3 Comparative Information

Reclassifications on consolidated financial position as at 31 December 2013 are as follows;

-Credit card receivables amounting to TL 1,662,201 that were presented under “Cash and Cash Equivalents” account in current assets as at 31 December 2013, were reclassified to “Trade Receivables”

- Advances received from patients amounting to TL 6,450,800 that were presented under “Other Payables” account in current liabilities as at 31 December 2013, were reclassified to “Trade Receivables”.

2.1.4 Changes in accounting estimates

The accounting policies have been applied consistently by the Group to all periods presented in the consolidated financial statements. The Group consistently recognizes measures and presents the transactions, other events and situations with the same nature. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period consolidated financial statements.

2.1.5 Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates affecting current period (if any) is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognized in the current and also in future periods.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

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

Amendments to TAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

Defined Benefit Plans: Employee Contributions (Amendments to TAS 19)

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The amendments had no significant impact on the financial position or performance of the Group.

Improvements to TFRSs

Annual Improvements to existing TFRSs issued are presented below. Other than the amendments that only affect the standards’ Basis for Conclusions, the changes are effective as of 1 July 2014.

Annual Improvements to TFRSs – 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendments had no significant impact on the financial position or performance of the Group

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement Decision Requirements

As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments had no significant impact on the financial position or performance of the Group.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

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

The amendment to TAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendments had no significant impact on the financial position or performance of the Group.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendments had no significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2011–2013 Cycle

TFRS 1 First Time Adoption of International Financial Reporting Standards

The amendment clarifies that in its first TFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised TFRS that is not yet mandatory but is available for early application

TFRS 3 Business Combinations

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

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to the contracts within the context of TAS 39, not just financial assets and financial liabilities. The amendment is effective prospectively.

TAS 40 Investment Property

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

These amendments did not have an impact on the financial position or performance of the Group

Standards issued but not yet effective and not early adopted

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

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Amendments to TFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation.

The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements to IFRSs – 2012–2014 Cycle

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of IFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*.

IAS 19 Employee Benefits

IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.6 Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

Annual Improvements to IFRSs – 2012–2014 Cycle (continued)

IAS 34 Interim Financial Reporting

IAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “The financial statement examples and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide

to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the classification stated in Note 2.2 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent
- iii) the parent’s equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.1.7 Offsetting

The Group’s financial assets and liabilities are offset and the net amount is presented in the balance sheet when and only when there is a legally enforceable right to set off the amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.2 Summary of significant accounting policies

Significant accounting policies applied during the preparation of the consolidated financial statements are summarized as follows:

2.2.1 Revenue

Revenue of the Group comprised of income from the inpatient/outpatient services given at the hospitals, polyclinics, laboratories, catering and ambulance services. Revenue from rendering of services is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to the surveys of services performed. The revenues for these services are mostly realized in cash or collectible from the insurance companies including State owned Social Security Institution (“SGK”). The interest rate which reduces the nominal value of the related service to its cash sale price is used to determine the present value of the receivables.

When an uncertainty arises about the collectability of an amount already included in revenue, the doubtful receivable amount is recognized as an expense, rather than as an adjustment of the revenue already recognized. Net sales represents invoiced gross sales amount minus returns and discounts.

2.2.2 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost elements included in inventories are all procurement costs, conversion costs and all other relevant costs in bringing the inventories into their current state of location. The cost of inventories is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and estimated costs necessary to make the sale.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.3 Property and equipment

i) Recognition and measurement

The costs of property and equipment purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 31 December 2004 are carried at cost less accumulated depreciation and impairment losses if any. Cost of tangible assets includes initial purchase cost, import taxes non-refundable purchase taxes, costs incurred to make the assets ready for use and interests cost of loans utilized during the investment period of tangible fixed assets. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalized borrowing costs.

ii) Subsequent expenditures

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group. The costs of the day-to-day servicing of tangible asset are recognised in the consolidated statement of income comprehensive as incurred.

iii) Depreciation

Depreciation is recognized on a straight-line basis over the useful lives of the tangible assets from the date of acquisition or assembly. Leasehold improvements are depreciated on a straight-line basis over the lease period. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term, which generally includes reasonably assured option periods, or the estimated useful lives of the assets. Depreciation expenses are presented under cost of sales, general and administrative expenses and selling, marketing expense on the consolidated statement of comprehensive income. Land is not depreciated, since useful live of it is accepted as infinite.

The estimated useful lives are as follows:

Buildings	50 years
Machinery and equipments	3-20 years
Vehicles	4-7 years
Furniture and fixtures	3-10 years
Leased Assets	5-12 years
Other tangible assets	5 years
Leasehold improvements	2-25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period end and adjusted if appropriate.

(iv) Disposal

Gains or losses on disposals of property and equipment are included in the relevant income and expense accounts and the cost and accumulated depreciation of property and equipment has been derecognized from the relevant accounts as appropriate.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.4 Intangible assets

Intangible assets consist of acquired software and other intangible assets. The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 31 December 2004 are carried at cost less accumulated amortization and impairment losses, if any. The carrying amount of an intangible asset is reduced to its recoverable amount if there is impairment.

(i) Amortization

Intangible assets are amortized on a straight-line basis in the comprehensive income statement over their estimated useful lives for a period.

The estimated useful lives are as follows:

Software	3-10 years
Other intangible assets	3-10 years

2.2.5 Goodwill

After 1 January 2005, in accordance with TFRS 3 “Business Combinations”, the excess amount of fair value of identified assets, liabilities and conditional liabilities that are acquired purchasing price over is recorded as goodwill. The goodwill arising from the merger is not amortized. Goodwill is subject to impairment test once a year or more frequently when there is an indication of impairment.

For the test of impairment, goodwill arising from the merger is allocated amongst the units or groups, without looking that the units or groups which expect to derive benefits from the merger include any other assets or liabilities. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Impairment losses are determined by assessing the recoverable value of cash-generating unit or group related to goodwill. Impairment loss is recognized even if the recoverable amount of the cash-generating unit connected to the unit less than the amount of the cash generating unit. Impairment losses relating to goodwill cannot be reversed in future periods.

2.2.6 Impairment of assets

i) Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.6 Impairment of assets (continued)

i) Financial Assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the consolidated statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal of the impairment in respect of the discounted financial assets is recognized in the consolidated statement of comprehensive income.

ii) Non-financial assets

At each balance sheet date the Group reviews the carrying amount of the assets to determine whether there is an indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

Impairment losses are recognized if the carrying amount of the assets or the cash generating unit exceeds its estimated recoverable amount. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of goodwill then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 that asset.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

According to TAS 36 “The Standard on Impairment of Assets”, if there are changes in conditions and circumstances that would be an indication of impairment in goodwill, the impairment tests are performed more frequently than once a year.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments

i) Non derivative financial assets

The Group initially recognizes loans and the receivables on the date they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the inflows.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets are presented on the consolidated financial statements with net present values calculated with effective interest method of the difference in initial cost and repayment amount which are depreciated on the comprehensive income statement.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise trade and other receivables, cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Trade and Other Receivables

Trade receivables are previously recognized at invoice value. Nevertheless, after the initial The fair values of trade and other receivables, excluding construction work in progress, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (*continued*)

2.2 Summary of significant accounting policies (*continued*)

2.2.7 Financial instruments (*continued*)

ii) Non derivative financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only if the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial liabilities of the Group comprise loans and trade payables and other payables.

Financial liabilities are initially recorded at their initial costs less any transaction costs. In the periods subsequent to their initial recognition the difference between their initial amounts their present value as determined by discounting their repayment amounts by applying the effective interest rate is reflected in the consolidated statements of comprehensive income.

iii) Paid-in capital

Ordinary shares are classified as paid-in capital.

iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at acquisition cost; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The Group’s derivative financial instrument consists of mainly forward transactions and interest rate swap. Although these financial instruments provide effective economic protection against risks, they are accounted for as derivative financial instruments reflected as trading securities or other financial liabilities because they do not meet the hedge accounting criteria under TAS 39.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.8 Foreign Currency Transactions

Transactions in foreign currencies have been translated to TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated to TL with the exchange rates at the dates of transaction.

At 31 December 2014 and 31 December 2013, Central Bank of the Republic of Turkey ("Central Bank")'s buying foreign currency rates are as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Amerikan Dolar ("USD")	2.3189	2.1343
European Union Currency ("EUR")	2.8207	2.9365

2.2.9 Earnings per share

Earnings per share disclosed in the consolidated statement of comprehensive income is determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustments on equity items. Such bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

2.2.10 Subsequent events

Subsequent events cover all the events between balance sheet date and the date of authorization for release of the financial statements even if these events arise after any announcement about profit or loss or disclosures of selected financial information to the public.

If there has been events after the balance sheet date that would require the restatement of the consolidated financial statements; the Group restates the consolidated financial statements accordingly. If such events are significant but do not require the restatement of the consolidated financial statements, they are disclosed in the related notes.

2.2.11 Provisions, contingent assets and liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements. If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.12 Leasing transactions

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property and equipment acquired through financial leasing in the Group’s consolidated balance sheet, are recorded on the asset side at the lower of its fair value or the present value of the minimum lease payments, and related obligation is reflected on the liability side at the present value of the minimum lease payments. Interest element included in the lease installments are reflected in the consolidated income statement. The property and equipment obtained by way of financial leases are depreciated through their useful lives.

When the lease period is shorter than the useful life of the leased asset and it is not certain whether the Group will purchase the leased asset at the end of the lease period, it is depreciated during the period of lease. When the leased asset’s useful life is shorter than leased period, leased assets are depreciated during the useful life.

The lease transactions are classified as operational leasing where the risks and rewards are on the part of the lessor. For an operating lease, the Company recognizes rent expense on a straight-line basis over the lease term, or on another systematic basis if it is more representative of the pattern of benefits to the lessee over time.

2.2.13 Related parties

Subsidiaries, shareholders of the Company and companies of the shareholders, and also other companies managed by these companies or related to these companies and managers and directors of these companies are referred to as related parties. Group is managing transactions with its subsidiaries due to common operations.

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

2.2.14 Segment reporting

TFRS 8 requires that a measure of segment assets be disclosed only if the amounts are regularly provided to Chief Decision Maker, consistent with the equivalent requirement for the measure of segment liabilities.

The Group’s main business activity consists of hospital, healthcare and non-healthcare services. As a result of the activity variation, the Group revenues are allocated as hospital, healthcare and non-healthcare branches. All Group revenues have been realized in domestic basis except subsidiaries in Macedonia.

2.2.15 Income taxes

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of the Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (*continued*)

2.2 Summary of significant accounting policies (*continued*)

2.2.16 Employee Benefits

According to the enacted laws in Turkey, the Group is liable to pay lump sum payments to its employees in case of retirement or the termination of the employment contract of the employees except for the rules stated in the labor laws. Such payments are computed according to the severance indemnity ceiling valid at the reporting date. Employee severance indemnity is recognized as the present value of the estimated total reserve of the future probable obligation of the Group.

There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

2.2.17 Statement of Cash Flows

Cash flows for the period are reported based on operating, investing and financing activities. Cash flows from operating activities represent the Group’s cash flows generated from operating activities. The Group presents the cash flows by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (capital expenditures).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

For purposes of the statement of cash flows, cash and cash equivalents include cash in hand, cheques in collection, bank deposits with a maturity less than three months and other cash and cash equivalents less blockage amount and interest income accruals.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

2 Basis of presentation of the consolidated financial statements (*continued*)

2.2 Summary of significant accounting policies (*continued*)

2.2.18 Expenses

Expenses are accounted for on accrual basis. Expenses related to cost of sales and operating expenses are recognized as they incur. Rent payments are recorded as expense on installments in the consolidated comprehensive income statement during the rent period.

Financial incomes and expenses

Interest income and expenses in income statement are accounted on accrual basis considering the effective interest rate and applicable variable interest rate on the related asset. Interest income and expenses consist of the present value of the difference or premium or discount of the accounted value of an interest bearing instrument and the due date value calculated with the effective interest rate system. Finance expenses related to the investment cost can be capitalized during the investment process.

2.3 Accounting Estimates and Judgments

Preparation of consolidated financial statements requires management to implement the policies and to make estimations and judgments which affect the income and expense amounts, assets and liabilities. Actual results may be differ from this estimated amounts.

Estimations and judgments which form a basis for these assumptions are reviewed on a regular basis. Updates in accounting estimations are recorded in the period of update and following periods which are affected from these judgments.

Significant estimations and assumptions used by Group to prepare consolidated financial statements are shown in the notes below:

Note 2.2.3- 2.2.4	- Useful lives of tangible and intangible assets
Note 2.2.7	- Financial Instruments
Note 6	- Impairment of trade receivables
Note 11	- Goodwill impairment tests
Note 12	- Provisions, contingent assets and liabilities
Note 14	- Provision for employee benefits
Note 26	- Tax assets and liabilities
Note 30	- Fair value disclosure of financial instruments

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

3 Segment reporting

Main business activity of the Group is defined as providing of healthcare services. The Group defined its operating segments as hospital and other healthcare related activities.

1 January– 31 December 2014

	<u>Hospital</u>	<u>Healthcare</u>	<u>Total</u>
External revenues	1,472,310,793	107,600,981	1,579,911,774
Inter-segment revenue	139,082,045	8,919,181	148,001,226
Reportable segment revenue	1,611,392,838	116,520,162	1,727,913,000
	(1,339,483,685		
Reportable segment cost of revenue)	(48,500,315)	(1,387,984,000)
Reportable segment gross profit	271,909,153	68,019,847	339,929,000
Operating expenses			(146,298,549)
Other operating income/expense (net)			(3,463,158)
Investment income/expense (net)			8,256,000
Financial income/expense (net)			(97,698,412)
Tax expense			(20,018,249)
Net income for the period			80,706,632

31 December 2014

	<u>Hospital</u>	<u>Healthcare</u>	<u>Total</u>
Reportable segment assets	1,563,711,777	135,673,931	1,699,385,708
Capital expenditures	223,347,279	37,537,608	260,884,887
Reportable segment liabilities	1,360,849,564	81,939,407	1,442,788,971
Amortization and depreciation	114,827,661	4,205,255	119,032,916

1 January -31 December 2013

	<u>Hospital</u>	<u>Healthcare</u>	<u>Total</u>
External revenues	1,205,538,757	131,999,880	1,337,538,637
Inter-segment revenue	101,480,551	7,847,637	109,328,188
Reportable segment revenue	1,307,019,308	139,847,517	1,446,866,825
Reportable segment cost of revenue	(1,019,097,486)	(148,699,052)	(1,167,796,538)
Reportable segment gross profit	287,921,822	(8,851,535)	279,070,287
Operating expenses			(114,798,798)
Other operating income/expense (net)			(7,493,507)
Investment income/expense (net)			12,744,535
Financial income/expense (net)			(156,668,661)
Tax expense			(2,689,082)
Net income for the period			10,164,774

31 December 2013

	<u>Hospital</u>	<u>Healthcare</u>	<u>Total</u>
Reportable segment assets	1,415,288,914	105,368,663	1,520,657,577
Capital expenditures	232,082,416	11,086,989	243,169,405
Reportable segment liabilities	1,291,817,865	51,497,531	1,343,315,396
Amortization and depreciation	95,459,929	6,608,193	102,068,122

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

3 Segment Reporting (continued)

Geographical Information

The Hospital and healthcare segments primarily operate in Turkey and Macedonia. According to geographical segment reporting, revenues are presented with respect to the geographical locations of customers, assets are presented with respect to the geographical locations of assets.

As at 31 December, total geographical area of risk concentrations are indicated below:

	2014	
	Revenues	Non-current Assets(*)
Turkey	1,651,132,940	875,477,156
Macedonia	76,780,060	27,770,942
	1,727,913,000	903,248,098

	2013	
	Revenues	Non-current Assets(*)
Turkey	1,389,882,446	767,155,761
Macedonia	56,984,379	25,528,136
	1,446,866,825	792,683,897

(*) Non-current assets comprised of tangible assets and intangible assets.

4 Cash and Cash Equivalents

As at 31 December, cash and cash equivalents comprised the following:

	31 December 2014	31 December 2013
Cash on hand	587,904	611,425
Banks – demand deposits	2,448,185	4,965,757
Banks – time deposits	144,556,631	205,781,097
Mutual fund (B type liquid fund)	20,769	870,413
	147,613,489	212,228,692

As at 31 December 2014, maturities for TL range between 32-33 days (31 December 2013: 1-31 days) and 2-38 days for USD. (31 December 2013: 1-36 days). Interest rate range between %9.5 - %9.8 for TL (31 Aralık 2013: %3 - %7.8) and %0.2-%2.7 for USD (31 December 2013: %0.4-%3.4).

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months.

As of 31 December 2014, the Group and its subsidiaries don't have any blocked deposits in banks and other financial institutons (2013: None).

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

5 Financial Liabilities

As at 31 December, short term financial liabilities comprised the following:

	31 December 2014	31 December 2013
Short term bank borrowings	164,164,048	45,731,292
Financial lease liabilities, net	35,430,392	36,063,938
Current financial liabilities	199,594,440	81,795,230
Short term portion of long-term bank borrowings	102,664,025	90,885,145
	302,258,465	172,680,375

As at 31 December, long term financial liabilities comprised the following:

	31 December 2014	31 December 2013
Long term bank borrowings	706,375,118	701,111,825
Financial lease liabilities, net	74,373,458	102,881,365
	780,748,576	803,993,190

Bank borrowings

31 December 2014 the details of bank borrowings comprised the following:

Type	Collateral	Currency	Maturity	31 December 2014 Face Value	31 December 2014 Carrying Value
Investment	Secured	USD	2019	4,866,658	4,875,657
Investment	Secured	USD	2019	1,608,532	1,611,676
Investment	Secured	USD	2018	227,252,200	232,157,508
Investment	Secured	USD	2018	439,434,981	440,608,753
Investment	Secured	USD	2018	40,052,414	40,507,742
Investment	Secured	EUR	2018	82,870,950	83,115,031
Operating	Unsecured	EUR	2017	5,923,470	5,923,470
Operating	Unsecured	TL	2017	238,884	238,884
Operating	Unsecured	TL	2015	160,226,512	160,226,512
Operating	Secured	EUR	2015	3,842,590	3,937,958
				966,317,191	973,203,191

As at 31 December 2014, interest rates for bank loans in USD range between Libor + %1.75 - % 6.35; for the bank loan in EUR interest rate is Euribor+ %0.70 and %5, for the bank loan in MKD interest rate is %6.50; and for bank loans in TL range between % 0 - % 12.50 respectively.

Acibadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

5 Financial liabilities (continued)

As at 31 December 2014, repayment schedule of the long term bank borrowings of the Group is as follows:

Years	Currency	Original Currency Amount	TL Amount
2020	EUR	11,113,854	31,348,848
2019	USD	470,152	1,090,235
2019	EUR	3,653,427	10,305,222
2018	USD	195,409,402	453,134,862
2018	EUR	3,653,427	10,305,222
2017	USD	37,596,620	87,182,802
2017	EUR	5,753,427	16,228,692
2017	TL	31,313	31,312
2016	USD	37,228,892	86,330,078
2016	EUR	3,653,427	10,305,222
2016	TL	112,623	112,623
			706,375,118

As at 31 December 2014, there are no covenants per loan agreements related to the Group’s bank borrowings (31 December 2013: None).

As at 31 December 2014, the maturities of bank borrowings of the Group are as follows:

Maturity	31 December 2014
0 – 3 months	196,975,355
3 months – 1 year	69,852,718
1 – 5 years	675,026,270
Above 5 years	31,348,848
	973,203,191

As at 31 December 2014, the guarantees given related to the bank borrowings are as follows:

		31 December 2014	
Type of Guarantee	Currency	Original Currency Amount	TL Amount
Commercial Pledge	USD	3,765,947	8,732,853
Commercial Pledge	TL	1,150,000,000	1,150,000,000
			1,158,732,853

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

5 Financial liabilities (continued)

31 December 2013 the details of bank borrowings comprised the following:

Type	Collateral	Currency	Maturity	31 December 2013 Face Value	31 December 2013 Carrying Value
Investment	Investment	USD	2019	5,422,237	5,431,502
Investment	Investment	USD	2019	1,777,180	1,780,608
Investment	Investment	USD	2018	268,921,800	273,287,554
Investment	Investment	USD	2018	413,699,536	414,789,788
Investment	Investment	USD	2018	46,150,843	46,665,359
Investment	Investment	EUR	2018	44,637,255	44,734,279
Operating	Unsecured	TL	2015	290,286	290,286
Operating	Unsecured	TL	2014	39,589,332	39,589,332
Investment	Investment	USD	2014	5,335,750	5,344,367
Operating	Investment	MKD	2014	5,815,187	5,815,187
				831,639,406	837,728,262

As at 31 December 2013, interest rates for bank loans in USD ranged between Libor + 1.75 - % 6.35; for the bank loans in MKD interest rate is between % 5.5- 6; and for bank loans in TL ranged between % 7 - % 9 respectively.

As at 31 December 2013, repayment schedule of the long term bank borrowings of the Group is as follows:

Years	Currency	Original Currency Amount	TL Amount
2019	USD	470,152	1,003,445
2018	EUR	3,040,167	8,927,451
2018	USD	195,409,402	417,062,287
2017	USD	37,228,892	79,457,624
2017	EUR	3,040,167	8,927,451
2016	USD	37,228,892	79,457,624
2016	EUR	3,040,167	8,927,451
2015	USD	37,228,892	79,457,624
2015	EUR	6,080,334	17,854,902
2015	TL	35,966	35,966
			701,111,825

As at 31 December 2013, the maturities of bank borrowings of the Group are as follows:

Maturity	31 December 2013
0 – 3 months	83,227,455
3 months – 1 year	53,388,982
1 – 5 years	700,108,380
Above 5 years	1,003,445
837,728,262	

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

5 Financial liabilities (continued)

As at 31 December 2013, the guarantees given related to the bank borrowings are as follows:

Type of Guarantee	Currency	31 December 2013	
		Original Currency Amount	TL Amount
Mortgages	USD	13,000,000	27,745,900
Commercial Pledge	TL	1,150,000,000	1,150,000,000
			1,177,745,900

Finance lease liabilities:

As at 31 December, short term finance lease liabilities are as follows:

	31 December 2014	31 December 2013
Financial lease liabilities	40,168,857	42,871,510
Deferred financial lease liabilities (-)	(4,738,465)	(6,807,572)
	35,430,392	36,063,938

As at 31 December, long term finance lease liabilities are as follows:

	31 December 2014	31 December 2013
Financial lease liabilities	80,547,195	112,895,745
Deferred financial lease liabilities (-)	(6,173,737)	(10,014,380)
	74,373,458	102,881,365

As at 31 December, the maturities of finance lease liabilities are as follows:

	2014		2013	
	Future minimum lease payments	Interest	Future minimum lease payments	Interest
Less than 1 year	40,168,857	4,738,465	42,871,509	6,807,571
1 - 5 year	78,486,463	6,126,306	107,088,950	9,784,049
5 year and more	2,060,732	47,431	5,806,796	230,332
	120,716,052	10,912,202	155,767,255	16,821,952
				138,945,303

Acbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

6 Trade Receivables and Payables

a) Trade receivables

As at 31 December , trade receivables comprised the following:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Trade receivables from customers	237,064,552	153,269,371
Notes receivables	1,125,387	2,315,343
Doubtful receivables	15,716,814	13,242,956
Allowance for doubtful receivables (-)	(15,716,814)	(13,242,956)
	238,189,939	155,584,714

The Group evaluated its receivables with due date 90 days and more as doubtful receivables in accordance with the historical collection experience of the Company. The movement of allowance for doubtful receivables for the year ended at 31 December 2014 is as follows:

As at 31 December, the aging analysis of the trade receivable is as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Overdue receivables	95,121,485	53,110,177
Not overdue	143,068,454	102,474,537
	238,189,939	155,584,714

The aging analysis of overdue trade receivable as at 31 December is as below:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Between 1-30 days	24,932,299	14,303,862
Between 31-60 days	27,943,844	22,697,547
61 days and more	42,245,342	16,108,768
	95,121,485	53,110,177

The Group records allowance on certain customers as respective receivables from these become doubtful. Allowance amounts includes the balances from customers which are deemed as uncollectible. For the years ended 31 December, the movement of the allowance for doubtful receivables is as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Beginning balance	13,242,956	10,620,755
Additions	3,438,850	3,326,750
Collections (-)	(964,992)	(704,549)
	15,716,814	13,242,956

Group's impairment of trade and other receivables, credit and currency risk is explained in Note 27.

Acibadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

6 Trade Receivable and Payables (continued)

As at 31 December, short term trade payables comprised the following:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Payable to suppliers	117,418,448	99,251,692
Notes payable	11,508,898	19,145,713
	128,927,346	118,397,405

As at 31 December, long term trade payables comprised the following:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Payable to suppliers	1,687,982	14,068,459
Notes payable	1,170,490	2,942,887
	2,858,472	17,011,346

As at 31 December, the aging analysis of trade payables is as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
0 - 3 months	40,782,002	31,947,474
3 months - 1 year	88,145,344	86,449,931
1 - 5 years	2,858,472	17,011,346
	131,785,818	135,408,751

Credit and currency risk the Group's trade and other payables exposed to are explained in Note 29.

7 Other Receivables and Payables

As at 31 December, other short-term receivables comprised the following:

	<u>31 Aralık 2014</u>	<u>31 Aralık 2013</u>
Advances given to personnel	4,055,740	4,495,819
Receivables from Tax Office	797,214	707,816
Advances given to suppliers	402,487	1,391,662
Receivables from Revenue Office	293,474	989,847
Deposits and guarantees given	2,211	17,924
Other (*)	5,537,476	156,948
	11,088,602	7,760,016

(*) As of 31 December 2014 other receivables mainly consist of receivables from municipality and rent receivables of 2,850,000 TL and 2,648,082 respectively.

As at 31 December, other long-term receivables comprised the following

	<u>31 December 2014</u>	<u>31 December 2013</u>
Deposits and guarantees given	745,460	545,720
Other	100,378	115,932
	845,838	661,652

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

7 Other Receivables and Payables (continued)

As at 31 December, other short-term payables comprised the following:

	31 December 2014	31 December 2013
Advances received from patients	2,807,642	5,556,566
Payables arising from acquisition of Yeni Sağlık	--	15,507,511
Other	426,346	844,269
	3,233,988	21,908,346

8 Inventories

As at 31 December, inventories comprised the following:

	31 December 2014	31 December 2013
Medical materials and medicine	38,736,242	29,153,575
Other inventories (*)	387,867	1,259,715
	39,124,109	30,413,290

(*) Consists of goods in transit.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

9 Property and Equipment

For the year ended 31 December 2014, the movements in property and equipment are as follows:

Cost	Land	Buildings	Machinery and equipments	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Other tangible assets	Construction in progress	Total
1 January 2014	33,780,497	210,121,187	400,109,975	5,625,001	114,277,555	199,407,651	257,799,664	2,372,085	171.678.182	1.395.171.797
Effects of movements in exchange rates	--	(2,364)	(837,699)	(6,641)	(138,488)	192	(21,974)	(65,831)	--	(1.072.805)
Additions	--	3,491,572	49,150,294	3,745,940	37,877,794	1,437,035	49,699,698	48,501	115.434.053	260.884.887
Disposals	--	--	(15,584,327)	(1,897,403)	(565,300)	(2,820,659)	(7,000,289)	--	(17.198.608)	(45.066.586)
Transfers	--	--	83,696,924	60,465	--	--	84,928,047	--	(168.759.210)	(73.774)
31 December 2014	33,780,497	213,610,395	516,535,167	7,527,362	151,451,561	198,024,219	385,405,146	2,354,755	101.154.417	1.609.843.519
<u>Accumulated depreciation</u>										
1 January 2014	--	32,306,975	281,110,982	2,909,278	76,281,523	113,414,413	121,493,992	40,925	--	627.558.088
Effects of movements in exchange rates	--	(125)	(191,110)	(3,423)	(47,013)	22	46	--	--	(241.603)
Charge for the year	--	7,326,920	40,484,063	1,037,800	15,314,100	24,796,099	28,418,113	--	--	117.377.095
Disposals	--	--	(7,660,957)	(1,430,932)	(338,704)	(845,533)	(561,843)	--	--	(10.837.969)
31 December 2014	--	39,633,770	313,742,978	2,512,723	91,209,906	137,365,001	149,350,308	40,925	--	733.855.611
Net book value										875,987,908

As at 31 December 2014, property and equipment have been insured to the extent of TL 2,098,592,935 (31 December 2013: TL 1,905,099,770)

For the year ended 31 December 2014, depreciation expenses amounting to TL 114,621,619 (31 December 2013: TL 97,676,500) have been recognised under cost of revenue and TL 2,419,077 (31 December 2013: TL 3,023,644) has been included under administrative expenses and TL 336,399 (31 December 2013: TL 202,602) has been included under selling, marketing and distribution expenses.

As at 31 December 2014, there is no pledge on property and equipment for the Group’s loans and borrowings (31 December 2013: TL 27,745,900).

For the year ended 31 December 2014, the Company utilizes property and equipment which have nil net book value on its accounts (31 December 2014 Cost: TL 390,476,000 ; 31 December 2013 Cost: TL 260,565,303).

The Group leases medical equipments under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. At 31 December 2014, the net carrying amount of leased equipment was TL 60,659,218 (2013: TL 85,993,238).

CIP additions mainly consists the expenditures for ongoing investments for medical centers and hospitals amounting to TL 63,922,110 (detailed as ongoing investments below) and other acquisitions amounting to TL 51,511,943 for machinery and equipment not available for use.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

9 Property and Equipment (continued)

For the period ended 31 December 2013, the movement in property and equipment is as follows:

Cost	Land	Buildings	Machinery and equipments	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Other tangible assets	Construction in progress	Total
1 January 2013	33,780,497	205,193,216	356,443,260	5,410,500	105,497,216	183,756,693	240,619,952	2,000,456	3.536.439	1.136.238.228
Effects of movements in exchange rates	--	12,870	4,841,608	39,373	721,146	1,496	104,020	358,151	--	6.078.663
Additions	--	4,950,123	41,936,095	1,168,523	8,169,694	15,792,774	17,303,148	13,479	169.628.344	258.962.179
Disposals	--	(35,022)	(3,110,987)	(993,395)	(110,500)	(143,312)	(227,455)	--	(1.486.602)	(6.107.273)
31 December 2013	33,780,497	210,121,187	400,109,976	5,625,001	114,277,556	199,407,651	257,799,665	2,372,086	171.678.181	1.395.171.797
Accumulated depreciation										
1 January 2013	--	26,593,118	254,690,556	2,627,896	66,379,691	81,237,306	97,644,090	40,925	--	529.213.582
Effects of movements in exchange rates	--	617	978,361	31,001	268,237	474	825	--	--	1.279.515
Charge for the year	--	5,720,828	26,933,897	892,804	11,097,703	32,216,294	24,041,220	--	--	100.902.746
Disposals	--	(7,588)	(2,878,125)	(642,422)	(77,816)	(39,662)	(192,143)	--	--	(3.837.756)
31 December 2013	--	32,306,975	279,724,690	2,909,278	77,667,815	113,414,413	121,493,992	40,925	--	627.558.088
Net book value										767,613,709

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

9 Property and Equipment (continued)

Ongoing Investments

	31 December 2014
Project	Expenditure Amount (TL)
Acıbadem Altunizade Hastanesi	26,435,343
Bodrum Kanser Merkezi	21,707,171
Acıbadem Taksim Hastanesi	15,323,616
Acıbadem Zekeriyaköy Medical Center	455,980
	63,922,110

Bodrum Cancer Care

Acıbadem Sağlık has a cancer care center project, which is located in Bodrum with a total estimated closed area of 8,500 m². This project is planned to be completed in 2015.

Acıbadem Zekeriyaköy Medical Center

Acıbadem Sağlık has a medical center project, which is located in Zekeriyaköy, Sarıyer in İstanbul with a total estimated closed area of 2,100 m². This project is planned to be completed in 2015.

Acıbadem Altunizade Hospital

Acıbadem Sağlık has a hospital project, which is located in Altunizade, İstanbul with a total estimated closed area of 90,000 m². This project is planned to be completed in 2016.

Acıbadem Taksim Hospital

Acıbadem Sağlık has a hospital project, which is located in Taksim, İstanbul with a total estimated closed area of 21,000 m². This project is planned to be completed in 2015.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

10 Intangible Assets

For the year ended 31 December 2014, movement in the intangible assets is as follows:

	<u>Rights</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost</u>			
1 January 2014	22,842,956	9,842,509	32,685,465
Effects of movements in exchange rates	--	(24,703)	(24,703)
Additions	2,008,810	2,700,288	4,709,098
Disposals	--	(797,275)	(797,275)
Transfers	(169,492)	--	(169,492)
31 December 2014	24,682,274	11,720,819	36,403,093
<u>Accumulated Amortization</u>			
1 January 2014	2,977,277	4,638,001	7,615,278
Effects of movements in exchange rates	--	(9,650)	(9,650)
Charge for year	676,641	979,180	1,655,821
Disposals	--	(118,546)	(118,546)
31 December 2014	3,653,918	5,488,985	9,142,903
Net book value			27,260,190

For the year ended 31 December 2014, amortization expenses amounting to TL 1,655,821 (31 December 2014: TL 1,165,376) have been included in administrative expenses.

As at 31 December 2014, the Group utilizes intangible assets which have zero net book value on its accounts (31 December 2014: TL 5,112,305, 31 December 2013: TL 4,891,077).

For the year ended 31 December 2013, movement in the intangible assets is as follows:

	<u>Rights</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost</u>			
1 January 2013	19,172,837	8,140,883	27,313,720
Effects of movements in exchange rates	--	131,183	131,183
Additions	3,839,611	1,570,443	5,410,054
Disposals	(169,492)	--	(169,492)
31 December 2013	22,842,956	9,842,509	32,685,465
<u>Accumulated Amortization</u>			
1 January 2013	2,197,569	4,212,216	6,409,785
Effects of movements in exchange rates	--	47,651	47,651
Charge for year	787,242	378,134	1,165,376
Disposals	(7,533)	--	(7,533)
31 December 2013	2,977,277	4,638,001	7,615,278
Net book value			25,070,187

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

11 Goodwill

As at 31 December, goodwill recognized as a result of Group’s acquisitions was shown as below:

	31 December 2014	31 December 2013
Acıbadem Sistina Hastanesi ve Medikal	50,441,981	50,441,981
Yeni Sağlık	46,417,257	46,417,257
International Hospital	39,292,955	39,292,955
Bodrum Satınalmaları	23,005,484	23,005,484
Acıbadem Poliklinikleri	6,234,605	6,234,605
Tolga Sağlık (*)	2,686,849	2,686,849
Konur Sağlık (*)	1,547,107	1,547,107
Blab (*)	33,747	33,747
	169,659,985	169,659,985

(*)Have not been subjected to impairment testing due to immateriality of the amounts.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

11 Goodwill (continued)

Şerefiye Değer Düşüklüğü Testi

For the purpose of impairment testing, goodwill is allocated to Group’s four cash generating units (“CGU”) namely Acıbadem Sistina, International, Acıbadem Poliklinikleri and Bodrum Tedavi. All CGU’s impairment tests were based on value in use as at 31 December 2014 which was estimated using discounted cash flow method.

Financial projections prepared by the management were used in the value in use analysis of each CGU. The growth in business plan figures is mainly driven by the overall demand for private healthcare in Turkey, macroeconomic indicators, opportunities in companies’ business, increase in patient volume, healthcare market developments in Turkey, changes in prices and completion of substantially started projects of the Group.

As a result of the impairment testing performed on CGU basis, no impairment loss recognised as at 31 December 2014.

Key assumptions used in discounted cash flow projections

Key assumptions used in calculation of recoverable amounts are discount rates and terminal growth rates. These assumptions are as follows:

	Discount rate	Terminal growth rate	Projected EBITDA growth rate
	%	%	%
Acıbadem Sistina	%12.2	%7.5	11%
International	%12.2	%7.5	7%
Bodrum, <i>Total</i>	%12.2	%7.5	33%
Acıbadem Poliklinikleri	%12.2	%7.5	18%

The discount rate used in discounted cash flows is determined as the weighted average cost of capital (“WACC”) for the respective CGUs.

For all CGU’s five years cash flows were included in the discounted cash flow model. A long-term growth rate including long-term inflation rate into perpetuity was determined based on management’s estimate of the long-term compound annual growth rate in EBITDA, which management believed was consistent with the assumption that a market participant would make under existing economic and healthcare market conditions.

EBITDA growth rates were determined based on the following:

Revenue growth was estimated based on the growth during 2015 for the first year of projection period which is in line with the Group’s financial budget as approved by Board of Directors. In addition, historical growth rates, future economic outlook and impact of new investments that have been substantially started as of 31 December 2014 were further considered in order to predict Group’s cash flows between the years 2016-2020. Price increase for Group’s healthcare services which is a key driver for the growth is estimated to increase in line with the inflation rate.

The estimated recoverable amounts of CGUs exceed their respective carrying amounts. Thus, the Company management concluded that there is no indication of impairment due to an expected or probable change in key assumptions such as EBITDA growth and discount rates. Recoverable amounts of CGU’s are not sensitive to the reasonable changes in key assumptions. Unreasonable and hypothetical changes in key assumptions and their effects have not been disclosed accordingly as at 31 December 2014.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

12 Provisions, contingent assets and contingent liabilities

As at 31 December, other short-term provisions comprised the following:

	31 December 2014	31 December 2013
Provision for doctor payments	73,576,625	61,981,050
Lawsuit provisions	5,395,239	6,348,976
Donations (*)	3,500,000	--
Provisions for miscellaneous expenditures	1,374,197	1,399,976
Accruals for inventories	1,146,562	90,568
Other	1,076,382	1,744,338
	86,069,005	71,564,908

(*) Donation amount represents the amount that will be paid based on the benefits of cooperation between Acıbadem Sağlık and Acıbadem University.

There are 152 lawsuits (31 December 2013: 76) against the Group with a total claim amount of TL 22,888,621 (31 December 2013: TL 29,395,283) and 200 related to employee litigation (31 December 2013: 225) amounting to TL 1,612,271 (31 December 2013: TL 7,357,623). The Group has provided provisions in the amount of TL 5,395,239 (31 December 2013: TL 6,348,976) for the lawsuits in the accompanying consolidated financial statements.

As at 31 December, other short-term provisions comprised the following:

	1 January 2014	Additions	Payments	Reversals	31 December 2014
Provision for doctor payments	61,981,050	73,576,625	(61,981,050)	--	73,576,625
Lawsuit provisions	6,348,976	2,097,594	(801,206)	(2,250,125)	5,395,239
Provisions for miscellaneous expenses	1,399,976	1,374,197	(1,399,976)	--	1,374,197
Accruals for inventories	90,568	1,146,562	(90,568)	--	1,146,562
Donations	--	3,500,000	--	--	3,500,000
Other	1,744,338	1,076,382	(1,744,338)	--	1,076,382
	71,564,908	82,771,360	(66,017,138)	(2,250,125)	86,069,005

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira ("TL") unless otherwise stated

12 Provisions, contingent assets and contingent liabilities (continued)

The movement of provisions for year ended 31 December 2013 is as follows:

	<i>1 January</i> <i>2013</i>	<i>Additions</i>	<i>Payments</i>	<i>Reversals</i>	<i>31 December</i> <i>2013</i>
Provision for doctor payments	48,944,435	61,981,050	(48,944,435)	--	61,981,050
Lawsuit provisions	6,084,343	763,097	(128,339)	(370,125)	6,348,976
Provisions for miscellaneous expenses	164,275	1,399,976	(164,275)	--	1,399,976
Accruals for inventories	452,905	90,568	(452,905)	--	90,568
Other	1,130,323	1,744,338	(1,130,323)	--	1,744,338
	56,776,281	65,979,029	(50,820,277)	(370,125)	71,564,908

Other short-term provisions for employee benefits

As at 31 December 2014, other short-term provisions for employee benefits included unused vacation pay liability with a total amount of TL 2,040,000 (31 December 2013: 1,600,000 TL).

Contingent Liabilities

On November 2014, Acıbadem Sağlık received a notification from tax authorities related to withholding of the value added tax ("VAT") as 18% instead of 8% for services rendered by outsourced doctors who are partners or employees of another company ("outsourced doctors"). These outsourced doctors invoiced Acıbadem Sağlık with 8% VAT for their supply of healthcare services and the Group had accordingly withheld 90% of the 8% VAT to the tax authorities as promulgated by regulations. However, according to the tax authorities' interpretation, the services from these outsourced doctors should be treated as a supply of labor instead of a provision of healthcare services. As such, a VAT rate of 18% is warranted. Total imposed tax, penalty and interest for the period starting January 2008 to July 2013 amounted to approximately TL 75.3 million including the interest accrual.

The Group management has evaluated the claim internally as well as with external tax consultants. The Company has also requested more clarification from the tax authority on the claim as existing tax rules do not provide a clear guidance on the exact tax rate to be applied for such services rendered. Based on the facts and circumstances of the claim, the management believes that the Group has a valid and strong defense against the claim and it is not probable that a future cash outflow would be required as of 31 December 2014. Accordingly, no provision has been recorded in the Group's consolidated financial statements and disclosed as contingent liability as of 31 December 2014.

13 Commitments

According to the decision 28/780 of CMB on 9 September 2009 related to the commitments of publicly owned companies given to the guarantee third party's debts;

The commitments given;

- i) For their own corporate identities,
- ii) In favor of consolidated subsidiaries,
- iii) In favor of third parties to continue their operations will not be limited.

After the decision is published at the Public Disclosure Platform, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments are already given they will be reduced to nil until 31 December 2014.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

13 Commitments (continued)

As at 31 December 2014, commitments given are as follows:

	31 December 2014			
	TL Equivalent	TL	USD	EUR
A Commitments given on behalf of own corporate identities	--	--	--	--
B Commitments given on behalf of consolidated subsidiaries	1,450,268,503	1,245,885,303	20,659,947	55,473,765
- Commitments	291,535,648	95,885,303	16,894,000	55,473,765
- Pledges (Commercial Pledges)	1,158,732,855	1,150,000,000	3,765,947	--
- Mortgages	--	--	--	--
C Commitments given on behalf of third parties to continue its operations	--	--	--	--
C Commitments given on behalf of third parties to continue its operations	--	--	--	--
- on behalf of parent company	--	--	--	--
- on behalf of group companies other than mentioned in bullets B and C	--	--	--	--
- on behalf of third parties other than mentioned in bullet C	--	--	--	--
Total	1,450,268,503	1,245,885,303	20,659,947	55,473,765

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

13 Commitments (continued)

	TL Equivalent	31 December 2013		
		TL	USD	EUR
A Commitments given on behalf of own corporate identities	--	--	--	--
B Commitments given on behalf of consolidated subsidiaries	1,391,857,903	1,231,744,877	29,975,000	32,738,765
- Commitments	214,112,003	81,744,877	16,975,000	32,738,765
- Pledges (Commercial Pledges)	1,150,000,000	1,150,000,000	--	--
- Mortgages	27,745,900	--	13,000,000	--
C Commitments given on behalf of third parties to continue its operations	--	--	--	--
D Other commitments given	--	--	--	--
- on behalf of parent company	--	--	--	--
- on behalf of group companies other than mentioned in bullets B and C	--	--	--	--
- on behalf of third parties other than mentioned in bullet C	--	--	--	--
Total	1,391,857,903	1,231,744,877	29,975,000	32,738,765

The total value of mortgages and pledges on the Group’s land and buildings are as follows:

Mortgages

There are no mortgages or pledges on the Group’s real estate properties as of 31 December 2014.

Collateral type	Duration	Cause of collateral and place	Pledged asset	31 December 2013 (USD)
Mortgage 1 st degree	Relevance of the mortgage *	Loan Collateral	Acıbadem Kayseri	13,000,000
				13,000,000

* Until its cancellation is stated.

Pledges and commitments that are currently placed on Group’s assets are listed as below:

Pledges

As at 31 December 2014, pledges comprised of commercial pledges (31 December 2014: 1,158,732,855, 31 December 2013: 1,150,000,000) given to a banking institution under a loan facility agreement.

Commitments given

Total amount of letter of guarantees that the Group provided to different institutions is TL 66,705,303 and USD 32,218,797 and EUR 16,145,024 (31 December 2013: TL 52,564,877 and USD 13,975,000 and EUR 32,738,765).

Commitments received

Commitments received by the Group amounts to TL 56,743,032 as of 31 December 2014 (31 December 2013: TL 40,978,358). Commitments received totaled to TL 8,906,514 of guaranteed cheques and TL 47,836,518 of letter of indemnity as of 31 December 2014.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

14 Employee benefits

Reserve for Employment Termination Benefits

Under the Turkish Labor Law, the Company and its subsidiaries in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed, there are certain transitional provisions relating to length of service prior to retirement.

The termination benefits is calculated as one month gross salary for each year of service and as at 31 December 2014, the ceiling amount as announced by the government has been capped at TL 3,438 (31 December 2013: TL 3,254). Termination benefits are computed and reflected in the consolidated financial statements on a current basis. The reserve has been calculated by estimating the present value of future estimated obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees.

IFRS require actuarial valuation methods to be developed to estimate the Group’s obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The provision at 31 December 2014 has been calculated assuming an annual inflation rate of 5% and a discount rate of 9% resulting in a real discount rate of approximately 3.81% (31 December 2013: annual inflation rate of 6% and a discount rate of 10% resulting in a real discount rate of approximately 4.06).

	31 December 2014	31 December 2013
Opening Balance	4,462,052	2,307,081
Interest	654,276	200,152
Cost of services	922,780	2,159,899
Payments made during the period	(6,755,419)	(5,382,788)
Actuarial gains / (losses)	5,651,651	5,177,708
	4,935,340	4,462,052

Actuarial gains or losses arise from the changes in expectations about the salary increases and the difference between the expected retirement ages of employees and paid severances. All actuarial differences are recognised in other comprehensive income.

As of 31 December, payables related to employee benefits are as follows:

	31 December 2014	31 December 2013
Social security and taxes payable	8,293,420	7,187,705
Payable to personnel	22,262,877	16,951,705
	30,556,297	24,139,410

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

15 Post Employee benefits

None.

16 Prepaid Expenses

As at 31 December, other current assets comprised the following:

	31 December 2014	31 December 2013
Prepaid insurance expenses	2,131,602	4,901,483
Prepaid rent expenses	1,738,752	1,212,811
Prepaid advertisement expenses	965,079	1,723,939
Prepaid maintenance expenses	207,973	111,451
Others	1,068,786	1,115,067
	6,112,192	9,064,751

As at 31 December, other non-current prepaid expenses comprised the following:

	31 December 2014	31 December 2013
Prepaid rent expenses	8,815,370	9,624,957
Prepaid insurance expenses	883,751	1,352,969
Others	248,004	219,126
	9,947,125	11,197,052

17 Other assets and liabilities

As at 31 December, other current assets comprised the following:

	31 December 2014	31 December 2013
Income accrual for inpatients	29,336,888	24,477,914
VAT receivable	23,098,536	13,417,616
Income accrual for SGK receivables	21,230,411	14,188,974
Advances given for suppliers	9,470,525	8,253,442
Advances given to personnel	4,944,847	3,202,843
Prepaid taxes and funds	140,884	595,633
Others	1,277,391	974,654
	89,499,482	65,111,076

As at 31 December, other non-current assets comprised the following:

	31 December 2014	31 December 2013
Advances given for fixed assets	18,400,621	8,413,611
	18,400,621	8,413,611

As at 31 December, other current liabilities comprised the following:

	31 December 2014	31 December 2013
Taxes payables	14,666,480	13,986,421
Others	543,755	121,499
	15,210,235	14,107,920

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated

18 Deferred Income

	<u>31 December 2014</u>	<u>31 December 2013</u>
Current		
Deferred income	2,688,346	1,965,135
	2,688,346	1,965,135
Non-current		
Deferred income	311,456	1,749,352
	311,456	1,749,352

(*)As at 31 December 2014, the balance related to deferred income recognized in accordance with the bank agreement for salary payment rights.

As at 31 December 2014, other long term liabilities amounting to TL 311,456 (31 December 2013: TL 1,749,352) consists the income according to the bank agreement related to assignment of salary payment rights.

19 Equity

Paid In Capital

As at 31 December 2014, Company's paid-in-capital is TL 100,000,000 (31 December 2013: TL 100,000,000) and is divided into 100.000.000 shares with par value of 1 TL each. (31 December 2013: 100.000.000 shares). As at 31 December, the composition of shareholders and their respective percentage of ownership are summarized as follows:

Shareholder's name	31 December 2014		31 December 2013	
	Share (%)	Amount	Share (%)	Amount
Acıbadem Sağlık Yatırımları Holding	99.38	99,376,098	99.28	99,280,125
Mehmet Ali Aydınlar	0.00	1	0.00	1
Hatice Seher Aydınlar	0.00	1	0.00	1
Other individuals	0.62	616,077	0.64	643,077
Publicly owned shares	0.00	7,823	0.08	76,796
Almond Holding A.Ş.	--	--	--	--
	100.00	100,000,00	100.00	100,000,000

Mehmet Ali Aydınlar is the Chairman of the Board and the CEO of Acıbadem Sağlık Yatırımları Holding A.Ş.

Series	Type	Registered/Bearer	Nominal Value (TL)	Privilege
3, 4, 5	A	Registered (Acıbadem Sağlık Yatırımları Holding A.Ş.)	4,249,973	Right to nominate board members, right to vote
3, 4, 5	B	Bearer	95,750,027	--

The favorable vote of Group A shares is required in order to increase in share capital. Group A shareholder has the right to nominate four out of five board members, and Group B shareholders has the right to nominate one out of five board members. Each Group A share has 100 votes against one vote of Group B shareholders.

The registered share capital of the Company is TL 250,000,000. Capital Market Board approved the registered share capital system with the permission dated 9 August 2001 and numbered 37/1033.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

19 Equity (continued)

Reserves

Legal reserves:

The legal reserves consist of first and second legal reserves in accordance to the Turkish Commercial Code (“TCC”). The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company’s statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC applicable as at 31 December 2014, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2014, the Group’s legal reserves amounting to TL 18,518,713 (31 December 2013: TL 16,921,354).

Retained Earnings / (Accumulated Losses)

	31 December 2014	31 December 2013
Extraordinary reserves	99,796,864	95,751,385
Retained earnings / (Accumulated losses)	(48,533,017)	(47,882,666)
	51,263,847	47,868,719

In accordance with TAS 29, amounts exist during the initial reconciliation of financial statements adjusted for inflation and recorded on “retained earnings” shall be considered as a discount item for distribution of profits based on inflation adjusted financial statements in accordance with CMB’s regulations around distribution of profits. In addition, this respective amount maintained under “retained earnings”, current period profit if any and undistributed prior period earnings could be offset against the reserve balances arising from the inflation adjustment of extraordinary reserves, legal reserves and capital amounts

The movement of retained earnings / (accumulated losses) is as follows:

	31 December 2014	31 December 2013
Opening balance	47,868,719	7,415,951
Transfer to legal reserves	(1,597,359)	(7,242,221)
Change in non-controlling interest	-	(6,521,115)
Dividend Paid	-	(25,878,457)
Transfer from net income for the year	4,992,487	80,094,560
	51,263,847	47,868,719

Dividend distribution:

The group has paid dividends amounting to TL 1,642,431 to the non-controlling shareholders through its subsidiaries (31.12.2013: 2,826,094).

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

20 Revenues and Cost of Revenues

For the years ended 31 December, revenues and cost of revenues comprised the following:

	2014	2013
Domestic sales	1,671,358,577	1,485,505,097
International sales	77,205,146	59,565,869
Sales returns and discounts (-)	(20,650,723)	(98,204,141)
Net revenues	1,727,913,000	1,446,866,825
Cost of revenues (-)	(1,387,984,000)	(1,167,796,538)
Gross profit	339,929,000	279,070,287

21 Selling, marketing and distribution expenses, general administrative expenses

Selling, marketing and distribution expenses

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2014	2013
Advertisement and sponsorship expenses	23,383,373	22,077,935
Personnel expenses	17,448,055	12,335,917
Commission expenses	7,801,207	5,783,204
Travel expenses	1,498,740	1,218,331
Representation expenses	1,369,315	1,151,124
Published material expenses	654,599	905,522
Communication expenses	470,307	336,649
Depreciation and amortization	336,399	202,602
Others	1,710,254	1,999,110
	54,672,249	46,010,394

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated

21 Selling, marketing and distribution expenses, general administrative expenses
(continued)

General administrative expenses

For the years ended 31 December, general administrative expenses comprised the following:

	<u>2014</u>	<u>2013</u>
Personnel expenses	62,544,223	45,857,873
Rent expenses	5,747,780	2,836,053
Consultancy, legal, notary expenses	4,754,033	2,975,168
Depreciation and amortization	4,074,898	4,189,020
Representation and travel expenses	3,517,824	2,633,084
Cleaning and meal expenses	2,337,883	2,025,509
Energy expenses	1,876,287	1,546,985
Communication and other office expenses	1,753,307	1,556,561
Repair and maintenance expenses	906,404	930,820
Other	4,113,661	4,237,331
	<u>91,626,300</u>	<u>68,788,404</u>

22 Expenses by nature

For the years ended 31 December, expenses by nature comprised the following:

	<u>2014</u>	<u>2013</u>
<u>Depreciation and amortization expenses</u>		
Cost of revenue	114,621,619	97,676,500
General administrative expenses	4,074,898	4,189,020
Selling, marketing and distribution expenses	336,399	202,602
	<u>119,032,916</u>	<u>102,068,122</u>

	<u>2014</u>	<u>2013</u>
<u>Personnel expenses</u>		
Cost of revenue	742,614,262	629,978,927
General and administrative expenses	62,544,223	45,857,873
Selling, marketing and distribution expenses	17,448,055	12,335,917
	<u>822,606,540</u>	<u>688,172,717</u>

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

23 Other operating income and expenses

For the years ended 31 December, other operating income comprised the following:

	2014	2013
Insurance compensation gain	2,621,829	2,545,194
Rent income	2,612,214	2,338,985
Premium from bank related salary payment right assignment (*)	1,500,013	1,500,013
Recoveries from doubtful receivables	964,992	704,549
Release of lawsuits provisions	953,737	--
Incentive income for foreign patients	442,051	222,500
Rediscount income on trade payables	410,012	39,922
Income related to Bodrum Tedavi (**)	--	2,391,617
Other income	3,278,889	1,501,750
	12,783,737	11,244,530

(*) The premium arose from the change of the bank from which salary payments are made.

(**) According to the purchase agreement dated 7 August 2012 between Bodrum Tedavi and the previous owners of Medlife, Turgutreis, Sesu, Bodrum Medikal; consideration was decided to be made in two equal installments whereas the parties agreed on the sale price with placing a contingent clause related to Bodrum Tedavi’s operating performance in 2012 for the payment of the second installment. Since the contingent clause was not met by Bodrum Tedavi, above mentioned amount was deducted from the second installment amount and was recognized as a gain.

For the years ended 31 December, other operating expenses comprised the following:

	2014	2013
Damage losses	5,168,057	4,704,279
Donations (*)	4,755,307	598,137
Allowance for doubtful receivables	3,438,850	3,326,750
Foreign exchange losses from operational activities	845,499	8,450,178
Rediscount expense on trade receivables	299,033	1,006,212
Tax expenses regarding law number 6111	152,786	152,786
Provision for lawsuits	--	264,633
Other (**)	1,587,363	235,062
	16,246,895	18,738,037

(*) Includes TL 3,500,000 donations to Acıbadem University.

(**) Includes TL 1,024,000 expenses related to the closure of Kapadokya Clinic in October 2014.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

24 Income and expenses from investment activities

For the years ended 31 December, income from investment activities comprised the following:

	2014	2013
Interest income on time deposits	4,352,905	4,271,032
Gain on sale of property and equipment	2,537,816	1,813,319
Loss on sale of property and equipment	1,466,279	6,732,815
Income from investment activities	8,357,000	12,817,166

	2014	2013
Loss on sale of property and equipment	101,000	72,631
Expenses from investment activities(-)	101,000	72,631

25 Finance income and expenses

For the years ended 31 December, finance income comprised the following:

	2014	2013
Commission income	109,063	126,854
Other	126,723	119,876
	235,786	246,730

For the years ended 31 December, finance expenses comprised the following:

	2014	2013
Foreign exchange losses on bank borrowings	41,181,211	110,833,811
Interest expense on bank loans	34,542,778	25,100,467
Credit card commission expenses	9,290,822	8,284,018
Finance lease interest expense	6,722,909	7,525,221
Letter of credit and other bank commission expenses	2,408,798	1,498,605
Other	3,787,680	3,673,269
	97,934,198	156,915,391

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

26 Tax assets and liabilities

Corporate income tax

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit after adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate at 31 December 2014 is 20%. (31 December 2013: 20%)

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

According to the Corporate Tax Law, 75 percent of the capital gains arising from the sale of property and equipment and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in equity from the date of the sale. The remaining 25 percent of such capital gains are subject to corporate tax.

The transfer pricing law is covered under Article 13 “disguised profit distribution via transfer pricing” of the Corporate Tax Law. The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

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

In Turkey, there are no procedures for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Macedonia

Macedonian corporate income tax is levied at a rate of 10% on dividend distribution and tax on nondeductible items. Unless there is a dividend distribution, no corporate tax is levied. Losses cannot be carried forward in determining corporate tax base. Corporate taxpayers should pay tax on their nondeductible items at a rate of %10. The tax base established on the basis of unrecognized expenditures for tax purposes is decreased by the amount of the expenditures subject to taxation for which the time period for their recognition has matured. If formed tax base for the tax period is less than the amount of its decrease for the same tax period, than the taxpayer shall declare tax loss. Tax losses can be carried forward for five years according to the amendment on tax legislation.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

26 Tax assets and liabilities (continued)

As at 31 December, current year corporate tax payable comprised the following:

	31 December 2014	31 December 2013
Corporate tax provision	14,262,187	4,900,565
Prepaid taxes and funds	(10,156,357)	(3,390,161)
Corporate tax payable	4,105,830	1,510,404

For years ended 31 December, tax expenses comprised the following:

	2014	2013
Current tax expense	(14,262,187)	(4,900,565)
Deferred tax expense	(5,756,062)	2,211,483
	(20,018,249)	(2,689,082)

The reported tax expense for the years ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2014		2013	
		%		%
Profit/(loss) before tax	100,724,881	20	12,853,856	20
Taxes on reported profit per statutory tax rate	(20,144,976)	(20.00)	(2,570,771)	(20.00)
Effect of tax rate differences in foreign jurisdictions	822,079	0.82	80,119	0.62
Non-deductible expenses	(1,846,328)	(1.83)	(1,715,314)	(13.34)
Tax exempt income	906,068	0.89	621,436	4.83
Recognition of previously unrecognized statutory tax losses	606,357	0.60	923,878	7.19
Statutory tax losses for which no deferred tax assets recognized	(515,235)	(0.51)	(299,176)	(2.33)
Foreign patient incentives	125,449	0.12	289,198	2.25
Other	28,337	0.03	(18,452)	(0.14)
Taxation charge	(20,018,249)	(19.87)	(2,689,082)	(20.92)

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

26 Tax assets and liabilities (continued)

Deferred tax assets and liabilities

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported under Turkish Accounting Standards and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and Turkish Accounting Standards financial statement as disclosed below.

Deferred tax assets and deferred tax liabilities as at 31 December were attributable to the items detailed in the table below:

	31 December 2014		31 December 2013	
	Deferred tax base	Deferred tax asset/(liability)	Deferred tax base	Deferred tax asset/(liability)
Property, equipment and intangible assets – <i>Deferred tax asset</i>	(18,007,783)	(3,601,557)	(12,018,327)	(2,403,665)
Financial liabilities	(445,959)	(89,192)	(99,058)	(19,812)
Employee benefits	4,935,340	987,068	4,462,052	892,410
Trade and other receivables	(9,386,973)	(1,877,395)	(22,915,793)	(4,583,159)
Financial investments at fair value - <i>Interest rate swaps</i>	--	--	1,466,279	293,256
Provisions	76,190,511	15,238,103	73,429,038	14,685,808
Tax loss carried forward	8,841,868	1,768,374	40,931,213	8,186,240
	62,127,004	12,425,401	85,255,404	17,051,078

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

26 Tax assets and liabilities (continued)

Accounted deferred tax assets and liabilities (continued)

For the years ended 31 December, the deferred tax assets/(liabilities) are as follows:

	31 December 2014	31 December 2013
Deferred tax assets	32,400,418	36,834,578
Deferred tax liabilities	(19,975,017)	(19,783,500)
Deferred tax assets, net	12,425,401	17,051,078

For years ended 31 December, movement of deferred tax assets/(liabilities) are as follows:

	2014	2013
Beginning balance	17,051,078	13,804,372
Deferred tax (expense)/income	(4,625,677)	3,246,706
-Recognized in profit or loss	(5,756,062)	2,211,483
-Recognized in other comprehensive income	1,130,330	1,035,541
Ending balance	12,425,401	17,051,078

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. The Group management estimated that there will be taxable profits in the following years. Therefore, as at 31 December 2014, deferred tax asset is recognized in the accompanying consolidated financial statements for tax losses carried forward amounting to TL 8,841,868 (31 December 2013: TL 40,931,213).

Expiration dates of tax losses are as follows:

	31 December 2014	31 December 2013
2019	3,784,126	--
2018	4,235,427	15,385,761
2017	--	15,652,888
2016	2,061	7,777,846
2015	820,254	818,470
2014	--	1,296,248
	8,841,868	40,931,213

Unrecognised Deferred Tax Assets and Liabilities

As at 31 December, statutory tax losses for which no deferred tax assets recognized comprised the following:

Deferred tax asset amounting to TL 515,235 (31 December 2013: TL 299,176) has not been recognized for some of the subsidiaries in respect of the current year statutory tax losses, because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated

27 Earnings per share

The calculation of basic and diluted earnings/ (losses) per share was calculated by dividing the income attributable to ordinary shareholders in consolidated statement of comprehensive income of this report to the weighted average number of ordinary shares outstanding:

	<u>2014</u>	<u>2013</u>
Net profit attributable to Owners of the Company	75,660,580	4,992,487
Weighted average number of shares	100,000,000	100,000,000
Basic and Diluted Earnings per 1.000 Shares	756.61	49.92

28 Related parties

As at 31 December, short-term trade receivables from related parties are as follow:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Trade receivables	25,379,769	15,955,708
Other receivables	914,297	511
	26,294,066	15,956,219

As at 31 December, short-term trade payables to related parties are as follow:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Trade payables	30,390,103	40,257,391
Other payables	28,480,427	21,718,383
	58,870,530	61,975,774

As at 31 December, long-term other receivables from related parties are as follow:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Other receivables	6,294,682	--
	6,294,682	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

28 Related parties (continued)

Transactions between company and its subsidiaries, not mentioned in this note, are eliminated during consolidation process. Details of the transactions between group and related parties are described below:

Due from related parties

	31 December 2014		31 December 2013	
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables
Related Companies				
Acıbadem Sigorta ⁽¹⁾	25,277,655	45,602	15,923,994	--
Acıbadem Proje	35,303	--	19,923	--
ACU Spor Klubü Derneği	33,690	1,646	--	--
Acıbadem Üniversitesi	23,289	5,478	--	--
Acıbadem Dış Limited	4,563	153	2,537	--
Aydınlık Sağlık Hizmetleri	3,355	5,874	539	--
Kerem Aydınlar Vakfı	1,914	7,658	1,417	402
Acıbadem Sigorta Aracılık	--	--	5,957	--
Acıbadem Vakfı	--	--	1,341	38
Akademia	--	2,119	--	--
Acıbadem Sağlık ve Eğitim Vakfı İktisadi İşletmesi	--	3,836	--	--
Acıbadem Meslek Okulları	--	2,641	--	71
Aplus ⁽²⁾	--	7,133,972	--	--
	25,379,769	7,208,979	15,955,708	511

⁽¹⁾ Acıbadem Sigorta: Company has receivables due to the treatment of Acıbadem Sigorta’s customers at Acıbadem hospitals and outpatient clinics.

⁽²⁾ Aplus: Receivables due to debt given to Aplus for purchase of machinery and equipment.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

28 Related Parties (continued)

Due to Related Parties

	31 December 2014		31 December 2013	
	Trade Payables	Other Payables	Trade Payables	Other Payables
Shareholders				
Said Haifawi	--	--	--	776,492
Related Companies				
Acıbadem Proje (3)	17,698,888	--	21,640,113	61,746
APlus (2)	6,297,642	4,964	16,521,973	--
Acıbadem Sağlık Yatırımları (1)	2,795,258	26,930,338	1,078,442	19,562,245
Acıbadem Sigorta (4)	1,823,852	--	144,625	676,109
Acıbadem Üniversitesi (5)	1,340,621	25,770	--	41,942
Telepati Tanıtım	188,313	--	574,905	--
Aydınlar Sağlık Hizmetleri	127,157	--	105,205	--
SZA Gayrimenkul	64,469	--	11,764	--
Acıbadem Diş Limited	36,878	18,644	67,551	19,419
ACU İktisadi İşletmesi	16,820	--	--	--
Acıbadem Sigorta Aracılık	205	324	205	--
Çukurova Bilim	--	--	112,608	10,696
IHH Berhad	--	1,500,387	--	569,734
	30,390,103	28,480,427	40,257,391	21,718,383

(1) Acıbadem Sağlık Yatırımları: Other payables related to Company’s dividend payment balances.

(2) APlus: Payables related with laundry, catering and cleaning services received.

(3) Acıbadem Proje: Company provides services related with renovation/improvement of hospital buildings of Acıbadem Sağlık.

(4) Acıbadem Sigorta: Payables related with insurance services received.

(5) Acıbadem Üniversitesi: Payables related with education services received.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

28 Related Parties (continued)

Related Party Transactions (Sales)

For the years ended 31 December, sales to related parties are as follows:

	2014		
	Service	Fixed Asset	Other
Acıbadem Sigorta	144,428,768	--	--
Acıbadem Üniversitesi	214,861	--	169,408
Aplus	106,791	9,291,083	2,549,211
Acıbadem Proje Yönetimi	43,238	--	298,102
Aydınlar Sağlık	33,816	--	633,079
Acıbadem Dış	10,103	--	204,533
Acıbadem Sağlık Yatırımları	2,318	--	4,329
Telepati Tanıtım Hizmetleri	--	94,279	108,932
SZA Holding	--	--	208,223
	144,839,895	9,385,362	4,175,817

	2013		
	Service	Fixed Asset	Other
Acıbadem Sigorta	107,831,563	--	161,586
Aydınlar Sağlık	153,584	--	592,134
Acıbadem Sağlık Yatırımları	110,032	--	4,740
Aplus	102,032	132,819	1,934,220
Acıbadem Proje Yönetimi	34,860	--	206,482
Akademia	23,308	10,000	--
Acıbadem Üniversitesi	13,487	--	6,351
Acıbadem Dış	11,267	--	174,307
Telepati Tanıtım Hizmetleri	463	--	89,610
Almond Holding	--	--	3,840
SZA Holding	--	--	263,981
	108,280,596	142,819	3,437,251

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

28 Related Parties (continued)

Related Party Transactions (Purchases)

For the years ended 31 December, sales to related parties are as follows:

	2014		
	Service	Fixed Asset	Other
Aplus (*)	73,593,501	--	554,274
Acıbadem Sigorta (**)	28,024,070	--	--
Aydınlar Sağlık	8,541,739	--	--
Acıbadem Üniversitesi	5,832,246	--	250
Telepati Tanıtım	3,544,295	--	14,180
Acıbadem Dış	3,522,137	--	--
SZA Holding	1,967,582	--	3,792,632
Acıbadem Sağlık Yatırımları	1,533,210	--	--
Mehmet Ali Aydınlar	1,188,305	--	1,753,338
Acıbadem Sigorta Aracılık	74,470	--	--
Zeynep Aydınlar	26,630	--	850,210
Seher Aydınlar	26,630	--	1,168,941
Acıbadem Proje (***)	--	125,730,190	639,383
	127,874,815	125,730,190	8,773,208

	2013		
	Service	Fixed Asset	Other
Aplus (*)	60,685,096	--	448,803
Acıbadem Sigorta (**)	17,482,593	--	62,919
Aydınlar Sağlık	7,204,854	--	--
Acıbadem Üniversitesi	6,163,236	--	--
Telepati Tanıtım	3,334,114	--	--
Acıbadem Dış	2,903,419	--	--
SZA Holding	754,756	--	3,543,351
Almond Holding	291,473	--	--
Acıbadem Sağlık Yatırımları	226,650	--	--
Acıbadem Sigorta Aracılık	80,739	--	--
Acıbadem Proje	--	86,823,621	--
Mehmet Ali Aydınlar	--	--	1,294,687
Zeynep Aydınlar	--	--	529,342
Seher Aydınlar	--	--	684,672
	99,126,930	86,823,621	6,563,773

(*) Aplus purchases include the laundry, catering and cleaning services.

(**) Acıbadem Proje purchases include the services related with renovation/improvement and construction of hospital buildings and polyclinics

(***) Acıbadem Sigorta purchases include insurance policies related with health and medical equipment.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated

28 Related Parties (continued)

Guarantees and similar obligations

As at 31 December 2014, the details of the guarantees given as security for the loans used by related parties are same with those given at 31 December 2013.

As at 31 December 2013, the details of the guarantees given as security for the loans used by related parties are as follows:

Guarantee given	Date	Type of Foreign		Original Amount	Amount TL
		Currency			
Aplus	12.02.2008	500,000		TL	500,000
Aplus	02.07.2012	350,000		TL	350,000
Aplus	27.08.2012	350,000		TL	350,000
Aplus	30.07.2012	350,000		TL	350,000
Aplus	01.10.2012	350,000		TL	350,000
Acıbadem Proje	19.10.2012	350,000		TL	350,000
Acıbadem Proje	17.08.2012	350,000		TL	350,000
Acıbadem Proje	19.09.2012	350,000		TL	350,000
Acıbadem Proje	02.07.2012	350,000		TL	350,000
					3,300,000

Key management compensation

For the year ended 31 December 2014, total compensation to key management is amounting to TL 21,838,630 (2013: TL 15,458,554). Total compensation amount contains wages and salaries paid to the key management.

29 Nature and level of risks arising from financial instruments

Financial Risk Management Policies

The main financial instruments of the Group are bank loans, cash and short term bank deposit. The main reason for the usage of these financial instruments is providing funds for the Group's activities. The Group also has trade receivables and trade payables that directly occur during the main activities.

The financial risks are currency risk, interest risk, credit risk and liquidity risk. The Group management manages these risks as explained below:

Capital Risk Management

The primary objective of the Group is ensuring the continuity of operations while increasing profitability by using the balance between liabilities and equity in a most effective way. The capital structure of the Group is consists of the items which include the liabilities, cash and cash equivalents, paid-in capital which is explained in Note 19, capital reserves and profit reserves.

The cost of capital and the risks associated with each share capital component are evaluated by the key management of the Group. During these evaluations, if the acceptance of Board of Directors is needed, the key management represents the evaluation to the Board of Directors for their evaluation.

The general policy and procedure of the Group is not different from the prior periods.

Major Accounting Policies

The Group's major accounting policies about financial instruments are explained in Note 2 (Bases of presentation of the consolidated financial statements)

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Credit Risk

Credit risk is the risk of handling a financial loss which is caused by another related party by not fulfilling the obligations regarding to a financial instrument.

Having the financial instruments gives the risk of not fulfilling the requirements of the agreement by the other parties. The collection risk of the Group is mainly caused from its trade receivables and cash. Trade receivables are evaluated by management according to the Group’s procedure and policies and are carried in the balance sheet as the net of impairment provision (Note 6).

At 31 December 2014, the maximum exposure to credit risk for other trade receivables by geographic region was as follows:

	31 Aralık 2014	31 Aralık 2013
Turkey	175,651,058	113,077,126
Middle East	55,768,739	34,870,509
Europe	6,770,142	7,637,079
	238,189,939	155,584,714

As at 31 December 2014, credit risk details are as follows:

	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related party	Other party	Related party	Other party		
31 December 2014						
Maximum exposure to credit risk at the reporting date (A+B+C+D+E)	25,379,769	238,189,939	914,297	11,934,440	147,004,816	1,315,903
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--
A, Carrying amount of financial assets that are not overdue and not impaired	25,379,769	143,068,454	914,297	11,934,440	147,004,816	1,315,903
B, Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	--	--	--	--	--	--
C, Carrying amount of assets that are overdue but not impaired	--	95,121,485	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--
D, Carrying amount of assets that are impaired	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	15,716,814	--	--	--	--
- Impairment (-)	--	-15,716,814	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--
- Not overdue (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--
E, Factors that include off balance sheet credit risks	--	--	--	--	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

29 Nature and Level of Risks Arising from Financial Instruments (continued)

Credit risk (continued)

As at 31 December 2013, credit risk details are as follows:

	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related party	Other party	Related party	Other party		
31 December 2013						
Maximum exposure to credit risk at the reporting date (A+B+C+D+E)	15,955,708	155,584,714	511	8,421,668	210,741,303	2,538,165
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--
A, Carrying amount of financial assets that are not overdue and not impaired	15,955,708	102,474,537	511	8,421,668	210,741,303	2,538,165
B, Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	--	--	--	--	--	--
C, Carrying amount of assets that are overdue but not impaired	--	53,110,177	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--
D, Carrying amount of assets that are impaired	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	13,242,956	--	--	--	--
- Impairment (-)	--	(13,242,956)				
- Carrying amount secured with collateral	--	--	--	--	--	--
- Not overdue (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--
E, Factors that include off balance sheet credit risks	--	--	--	--	--	--

Liquidity Risk

The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets.

Liquidity risk is probability of not fulfill fund obligations of the Group. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages its present and future funding risk by maintaining a balance between continuity and availability of funding through the use of bank loans and other borrowing sources from high quality lenders.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Liquidity risk (continued)

The tables listed below are representing the maturities of non-derivative financial liabilities.

As at 31 December 2014, maturities of non-derivative financial liabilities are as follows:

Contractual maturities	Carrying value	Total cash outflow per agreement (=I+II+III)	Within one year (I)	Between 1-5 years (II)	Over 5 years (III)	Contractual maturities
Financial liabilities						
Financial liabilities	973,203,191	1,054,205,389	295,397,827	721,970,583	36,836,979	--
Financial lease liabilities	109,803,850	120,716,052	40,168,857	78,486,463	2,060,732	--
Expected maturities	Carrying value	Expected total cash outflows (=I+II+III)	Less than 1 year (I)	Between 1-5 years (II)	More than 5 years (III)	Payable on demand
Non-derivative financial liabilities						
Trade payables	131,785,818	133,439,300	130,492,479	2,946,821	--	--
Due to related parties	58,870,530	58,961,368	58,961,368	--	--	--
Other payables (*)	109,283,196	109,283,196	109,283,196	--	--	--

(*) Other payables comprise of other current payables amounting to TL 951,314, accruals amounting to TL 86,069,005 and payables to personnel TL 22,262,877.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2013, maturities of non-derivative financial liabilities are as follows:

Contractual maturities	Carrying value	Total cash outflow per agreement (=I+II+III)	Less than 1 year (I)	1-5 years (II)	More than 5 years (III)	Payable on demand
Financial liabilities						
Financial liabilities	837,728,262	927,053,520	156,645,640	769,393,604	1,014,275	--
Financial lease liabilities	138,945,303	155,767,255	42,871,510	107,088,949	5,806,796	--
Other financial liabilities	1,466,279	1,466,279	1,466,279	--	--	--
Expected maturities	Carrying value	Expected total cash out flow (=I+II+III)	Less than 1 year (I)	1-5 years (II)	More than 5 years (III)	Payable on demand
Non-derivative financial liabilities						
Trade payables	135,408,751	136,790,438	119,315,124	17,475,314	--	--
Due to related parties	61,975,774	61,978,824	61,978,824	--	--	--
Other payables (*)	104,989,892	104,989,892	104,989,892	--	--	--

(*) Other payables comprise of other current payables, accruals, salaries payable and other liabilities amounting to TL 16,351,780, TL 71,564,908, TL 16,951,705 and TL 121,499, respectively.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market risk

The Group is exposed to market risk arising from changes in interest rates, foreign currency or in the fair value of financial assets and other financial contracts that may affect the Group adversely. The major risks for the Group are currency risk and interest rate risk, which result from operating activities.

Foreign currency risk and related sensitivity analysis

Foreign exchange risk of Group mainly results from that the Group has liabilities denominated in USD and Euro.

Additionally, the Group has foreign exchange risk resulting from the transactions it makes. These risks are derived from good purchases and sales and use of loans and finance leases in foreign currency which is different from the Group’s functional currency.

As at 31 December 2014 and 2013, the net foreign currency (short) position of the Group is as follows:

	31 December 2014	31 December 2013
Foreign currency denominated assets	147,902,138	212,446,342
Foreign currency denominated liabilities	(918,522,930)	(993,512,343)
	(770,620,792)	(781,066,001)
Foreign currency derivatives	--	--
Net foreign currency position	(770,620,792)	(781,066,001)

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market risk (continued)

CONSOLIDATED	31 Aralık 2014						
	TL Equivalent (Functional currency)	USD	EURO	MKD	GBP	CHF	Other
1. Trade receivables	2,060,967	351,793	441,449	--	751	--	--
2a. Monetary financial assets (include cash and bank deposit)	144,992,775	62,106,066	345,212	--	627	545	--
2b. Non-monetary financial assets	--	--	--	--	--	--	--
3. Other	848,396	--	300,775	--	--	--	--
4. Current Assets (1+2+3)	147,902,138	62,457,859	1,087,435	--	1,379	545	--
5. Trade receivables	--	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--
8. Non Current Assets (5+6+7)	--	--	--	--	--	--	--
9. Total Assets (4+8)	147,902,138	62,457,859	1,087,435	--	1,379	545	--
10. Trade payables	19,930,959	2,825,975	4,207,834	--	1,174	643,206	--
11. Financial liabilities	132,655,038	39,611,027	10,383,326	--	--	4,908,036	--
12a. Other monetary liabilities	1,659,707	709,837	4,845	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--	--
13. Current Liabilities (10+11+12)	154,245,704	43,146,839	14,596,005	--	1,174	5,551,242	--
14. Trade payables	--	--	--	--	--	--	--
15. Financial liabilities	764,277,226	274,183,260	36,818,151	--	--	10,496,102	--
16a. Other monetary liabilities	--	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market Risk (continued)

17. Non-Current Liabilities (14+15+16)	764,277,226	274,183,260	36,818,151	--	--	10,496,102	--
18. Total Liabilities (13+17)	918,522,930	317,330,099	51,414,156	--	1,174	16,047,344	--
19. Off balance sheet foreign currency denominated derivatives net assets/liabilities position (19a-19b)	--	--	--	--	--	--	--
19a. Off balance sheet foreign currency denominated derivatives assets amount	--	--	--	--	--	--	--
19b. Off balance sheet foreign currency denominated derivatives liabilities amount	--	--	--	--	--	--	--
20. Net foreign currency denominated assets /(liabilities) position (9-18+19)	(770,620,792)	(254,872,240)	(50,326,721)	--	205	(16,046,799)	--
21. Monetary accounts net foreign currency denominated assets /(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(770,620,792)	(254,872,240)	(50,326,721)	--	205	(16,046,799)	--
22. Fair value of hedging financial instruments	--	--	--	--	--	--	--
23. Hedged foreign currency denominated assets	--	--	--	--	--	--	--
24. Hedged foreign currency denominated liabilities	--	--	--	--	--	--	--
25. Export	--	--	--	--	--	--	--
26. Import	--	--	--	--	--	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market Risk (Continued)

As at 31 December 2013, market risk details are as follows:

31 December 2013							
CONSOLIDATED	TL Equivalent (Functional currency)	USD	Euro	MKD	GBP	CHF	Other
1. Trade receivables	4,369,610	1,158,181	641,843	--	3,683	--	--
2a. Monetary financial assets (include cash and bank deposit)	205,173,340	95,970,444	116,745	--	228	--	--
2b. Non-monetary financial assets	--	--	--	--	--	--	--
3. Other	2,903,392	430,522	675,814	--	--	--	--
4. Current Assets (1+2+3)	212,446,342	97,559,147	1,434,403	--	3,910	--	--
5. Trade receivables	--	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--
8. Non Current Assets (5+6+7)	--	--	--	--	--	--	--
9. Total Assets (4+8)	212,446,342	97,559,147	1,434,403	--	3,910	--	--
10. Trade payables	43,116,484	10,135,424	6,616,200	--	1,817	857,608	--
11. Financial liabilities	118,542,114	42,044,317	5,988,769	--	--	4,695,138	--
12a. Other monetary liabilities	32,870,710	14,981,065	305,337	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--	--
13. Current Liabilities (10+11+12)	194,529,309	67,160,806	12,910,305	--	1,817	5,552,746	--
14. Trade payables	196,234	--	66,826	--	--	--	--
15. Financial liabilities	798,786,800	313,437,062	31,671,626	--	--	15,404,138	--
16a. Other monetary liabilities	--	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market Risk (continued)

17. Non-Current Liabilities (14+15+16)	798,983,034	313,437,062	31,738,452	--	--	15,404,138	--
18. Total Liabilities (13+17)	993,512,343	380,597,868	44,648,757	--	1,817	20,956,884	--
19. Off balance sheet foreign currency denominated derivatives net assets/liabilities position (19a-19b)	--	--	--	--	--	--	--
19a. Off balance sheet foreign currency denominated derivatives assets amount	--	--	--	--	--	--	--
19b. Off balance sheet foreign currency denominated derivatives liabilities amount	--	--	--	--	--	--	--
20. Net foreign currency denominated assets /(liabilities) position (9-18+19)	(781,066,001)	(283,038,721)	(43,214,354)	--	2,093	(20,956,884)	--
21. Monetary accounts net foreign currency denominated assets /(liabilities) position (1+2a+5+6a-10-11-12a-14-15-16a)	(781,066,001)	(283,038,721)	(43,214,354)	--	2,093	(20,956,884)	--
22. Fair value of hedging financial instruments	--	--	--	--	--	--	--
23. Hedged foreign currency denominated assets	--	--	--	--	--	--	--
24. Hedged foreign currency denominated liabilities	--	--	--	--	--	--	--
25. Export	--	--	--	--	--	--	--
26. Import	--	--	--	--	--	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market risk (continued)

The foreign currency risk of the Group is mainly related to the bank loans borrowed and financial lease liabilities. The Group has a pricing policy that changes according to the deviations in the long term borrowings and volatility of foreign exchange rates for minimizing this risk.

The changes in foreign currency position of the Group as of the balance sheet date are as follows:

Foreign currency sensitivity analysis				
31 December 2014				
	Profit/Loss		Equity	
	Increase of foreign currency	Decrease of foreign currency	Increase of foreign currency	Decrease of foreign currency
Change of USD exchange rate against TL by 10%:				
1- USD denominated net assets/liabilities	(59,102,324)	59,102,324	--	--
2- Hedged amount against USD Dollar risk (-)	--	--	--	--
3- Net effect of USD (1+2)	(59,102,324)	59,102,324	--	--
Change of Euro exchange rate against TL by 10%:				
4- Euro denominated net assets/liabilities	(14,195,658)	14,195,658	--	--
5- Hedged amount against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	(14,195,658)	14,195,658	--	--
Change of other currencies against TL by 10%:				
7- Other foreign currency denominated net assets/liabilities	(3,764,098)	3,764,098	--	--
8- Hedged amount against other foreign risk (-)	--	--	--	--
9- Net effect of other foreign currency (7+8)	(3,764,098)	3,764,098	--	--
TOTAL (3+6+9)	(77,062,080)	77,062,080	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Market risk (continued)

Foreign currency sensitivity analysis				
31 December 2013				
	Profit/Loss		Equity	
	Increase of foreign currency	Decrease of foreign currency	Increase of foreign currency	Decrease of foreign currency
Change of USD exchange rate against TL by 10%:				
1- USD denominated net assets/liabilities	(60,408,954)	60,408,954	--	--
2- Hedged amount against USD Dollar risk (-)	--	--	--	--
3- Net effect of USD (1+2)	(60,408,954)	60,408,954	--	--
Change of Euro exchange rate against TL by 10%:				
4- Euro denominated net assets/liabilities	(12,689,895)	12,689,895	--	--
5- Hedged amount against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	(12,689,895)	12,689,895	--	--
Change of other currencies against TL by 10%:				
7- Other foreign currency denominated net assets/liabilities	(5,007,751)	5,007,751	--	--
8- Hedged amount against other foreign risk (-)	--	--	--	--
9- Net effect of other foreign currency (7+8)	(5,007,751)	5,007,751	--	--
TOTAL (3+6+9)	(78,106,600)	78,106,600	--	--

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
Amounts expressed in Turkish Lira ("TL") unless otherwise stated

29 Nature and level of risks arising from financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk arising from interest rate sensitive financial liabilities. As part of its fund management policy, the interest risk of interest bearing assets is calculated by performing sensitivity analysis. The sensitivity of interest sensitive assets in response to changes in market interest rates is computed based on the average maturities and average interest sensitive assets; the interest rate risk arising from the securities portfolio held as part of fund management function is monitored within expectations of market rates by closely watching the financial markets.

Interest rate position		
	31 December 2014	31 December 2013
Fixed interest bearing financial instruments		
Financial assets Time deposits	144,556,631	205,781,097
Financial liabilities	320,638,416	231,305,467
Variable interest bearing financial instruments		
Financial assets	--	--
Financial liabilities	762,368,625	745,368,098

As at 31 December 2014, an increasing change at interest rate of 100 basis points would have an impact of TL 7,623,686 (31 December 2013: TL 7,453,681) decrease on the net income amount as stated on the consolidated statement of comprehensive income. If the interest rates applied to Group decrease by 100 basis points, the net profit of the period would increase by TL 7,623,686 TL (31 December 2013: TL 7,453,681).

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

30 Financial Instruments: Fair Value Disclosure

As at 31 December, fair value of financial assets and liabilities are as below:

	Note	31 December 2014		31 December 2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents (*)	4	147,025,585	147,025,585	211,617,267	211,617,267
Trade receivables	6	238,189,939	238,189,939	155,584,714	155,584,714
Trade receivables from related parties	28	25,379,769	25,379,769	15,955,708	15,955,708
Other receivables from related parties	28	914,297	914,297	511	511
Other receivables (**)	7	11,186,769	11,186,769	7,858,026	7,858,026
Other current and non-current assets (***)	17	1,206,672	1,206,672	1,193,496	1,193,496
		423,903,031	423,903,031	392,209,722	392,209,722

(*) For the fair value measurement, cash on hand is excluded from cash and cash equivalents.

(**) For the fair value measurement, advances given are excluded from other receivables.

(***) For the fair value measurement, various income accruals, advances given and VAT receivable are excluded from other current and non-current assets.

	Note	31 December 2014		31 December 2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
			1,083,412,03		
Financial liabilities	5	1,083,007,041	5	976,673,565	976,844,589
Trade payables	6	131,785,818	131,785,818	135,408,752	135,408,752
Trade payables to related parties	28	30,410,534	30,410,534	40,260,441	40,260,441
Other payables to related parties	28	28,480,427	28,480,427	21,718,383	21,718,383
Other payables (*)	7	426,346	426,346	16,351,780	16,351,780
Other liabilities	17	22,806,632	22,806,632	17,073,204	17,073,204
			1,297,321,79		
		1,296,916,798	2	1,207,486,125	1,207,657,149

(*) For the fair value measurement, social security, taxes payable, advances received and deferred income is excluded from other liabilities.

Fair value is the amount which can be measurable with closest market price that can be obtained in a sale process except forced sale or liquidation in which there are applicants for both selling and buying.

The estimated fair values of financial instruments have been determined using available market information by the Group, using appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. While the management of the Group has used available market information in estimating the fair values, the market information may not be fully reflective of the value that could be realized in the current circumstances. The following methods and assumptions are used for the determination of fair values of financial instruments:

Fair values of cash and cash equivalents, including accrued interest, and other financial assets are assumed to approximate their carrying amounts due to their short-term maturity and being subject to insignificant credit risk. Fair values of trade receivables net of doubtful receivables are assumed to approximate their carrying amounts.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014
 Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

30 Financial Instruments: Fair Value Disclosure (continued)

Interest rate swaps

Due to the Group’s overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in interest rate within certain guidelines. Interest rate swaps are derivative financial instruments used to manage the potential earnings impact of interest rate movements. The purpose of the hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest rates.

There are no interest rate swaps as of 31 December 2014.

As at 31 December 2013, Group’s interest rate swap transactions explained below;

On 19 December 2008, the Group has entered into interest rate swap transactions in order to hedge USD 56,700,000 of its certain cash flow exposures primarily on floating rate investment loans with an outstanding balance of USD 126,000,000 through converting its floating rate payments into fixed rate payments. Interest terms of borrowings and swap contracts are equal.

Notional amount	Fixed payer rate	Floating payer rate	Fixed payment frequency	Maturity
USD 56,700,000	2.5%	6mo-libor	Semi annual	2014

Classification of fair value measurement

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs which are interest rates for similar borrowings for the Company).

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2014	Level 1	Level 2	Level 3
Financial liabilities	--	--	973,203,191
Fair value through profit/loss -Interest rate swap	--	--	--

31 December 2013	Level 1	Level 2	Level 3
Financial liabilities	--	--	837,728,262
Fair value through profit/loss -Interest rate swap	--	1,466,279	--

Capital management policies

The Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors the return on capital as well as the level of dividends to ordinary shareholders. No changes have been made in the objectives, policies or processes during the years 2014 and 2013.

Acıbadem Sağlık Hizmetleri ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2014

Amounts expressed in Turkish Lira ("TL") unless otherwise stated

31 Operating leases

As at 31 December, the future minimum lease payments under non-cancellable operating lease payables as follows:

	31 December 2014	31 December 2013
Less than one year	89,104,275	64,193,415
Between one and five years	316,997,073	329,485,041
More than five years	1,082,206,399	897,781,877
	1,488,307,747	1,291,460,333

Group leases certain properties for its operations such as hospital and polyclinics buildings, apartments and lodgments via operating leases. Some of leasing agreements includes additional lease payments based on the local indexes. Maturity date of all the leasing and sub-leasing agreements are finalized in the year 2041 and before 2041.

Group does not have any long-term rent commitment as lessor.

32 Subsequent events

On 17 February 2015, Acıbadem International Medical Center B.V. was established and registered in Rotterdam, Netherlands. The Company will include a medical clinic in Rotterdam for provision healthcare services in that area which is planned to be open during 2015.