GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements
As at and For the Year Ended
31 December 2016
With Auditors' Report Thereon

(Convenience Translation of the Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

13 March 2017

This report contains "Independent Auditors' Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 60 pages.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Index

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
No:29 Beykoz 34805 İstanbul
Tel +90 (216) 681 90 00
Fax +90 (216) 681 90 90
www.kpmg.com.tr

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

To the Board of Directors of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret

Report on the Financial Statements

We have audited the the accompanying consolidated statement of financial position of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2016, 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.

Management's Responsibility for the 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 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 Independent 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 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 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 financial position of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on 10 March 2016.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 13 March 2017.

2) 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 the Company's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.

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

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

Orhan Akova, SMMM
Partner

13 March 2017
Istanbul, Turkey

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position
As at 31 December 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Audited 31 December 2016**	**Audited 31 December 2015**
Assets			
Current assets		**22,822**	**28,675**
Cash and cash equivalents	3	17,321	14,707
Financial investments	4	-	8,220
- Financial assets available for sale	*4.1*	-	*8,220*
Trade receivables	7	3,017	2,479
- Due from third parties	*7.1*	*3,017*	*2,479*
Receivables from finance sector activities	8	168	114
- Due from third parties	*8.1*	*168*	*114*
Other receivables	9	173	182
- Other	*9.1*	*173*	*182*
Inventories (net)	10	926	1,716
Prepaid expenses	11	650	562
- Due from third parties		*650*	*562*
Current income tax assets	12	-	-
Other current assets	22	491	414
- Due from third parties		*491*	*414*
Subtotal		**22,746**	**28,394**
Assets held for sale	13	76	281
Non-current assets		**339,000**	**272,076**
Financial investments	5	962	962
Other receivables	9	-	-
Tangible assets	14	337,511	270,587
- Plants, machinery and equipment		*17*	*22*
- Vehicles		*337,469*	*270,546*
- Furnite and fixtures		*25*	*19*
Intangible assets	15	-	3
- Other intangible assets		-	*3*
Deferred tax assets	31	527	524
Total assets		**361,822**	**300,751**

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 31 December 2016	Audited 31 December 2015
Liabilities			
Current liabilities		**123,434**	**27,443**
Short term financial borrowings	16	15,720	20
Due to related parties	6	9,172	-
- Bank loans	16.2	*9,172*	-
Due to third parties	16.2	6,548	20
- Bank loans		*6,548*	*20*
Short term portion of long term financial liabilities	16	105,028	24,125
Due to third parties	16.2	105,028	24,125
- Bank loans	*16.2*	*105,028*	*24,125*
Trade payables	7	415	446
- Due to related parties	*6*	*11*	*60*
- Due to third parties	*7.2*	*404*	*386*
Payables from finance sector activities	8	279	504
- Due to third parties	*8.2*	*279*	*504*
Other payables	9	112	186
- Due to third parties	*9.2*	*112*	*186*
Deferred income	20	961	398
- Due to third parties		*961*	*398*
Current income tax liabilities	31	799	1,647
Short term provisions	21	120	117
- Provisions for employee benefits	*21.1*	*120*	117
Non-current liabilities		**142,048**	**174,651**
Long-term financial liabilities	16	141,508	174,225
Due to third parties	16.2	141,508	174,225
- Bank loans	*16.2*	*141,508*	*174,225*
Long term provisions	21	540	426
- Provisions for employee benefits	*21.2*	*540*	*426*
Equity		**96,340**	**98,657**
Paid-in share capital	23.1	52,181	52,181
Adjustment to share capital	23.2	24,085	24,085
Repurchase of shares (-)	23.3	(2,601)	-
Premium on the shares/discount	23.4	(140)	(140)
Effect of merger under common control	23.5	(12,181)	(12,181)
Accumulated other comprehensive ıncome that will not be reclassified to profit or loss	23.6	(31)	(30)
- Gains/losses from the revaluation and reclassification		*(31)*	*(30)*
Accumulated other comprehensive ıncome that may be reclassified subsequently to profit or loss	23.7	67,949	39,289
- Currency translation differences		*67,949*	*39,575*
- Financial assets revaluation reserve		-	*(286)*
Restricted reserves	23.8	14,679	5,116
Prior years' profits/(losses)	23.9	(19,256)	5,555
Net profit / (loss) for the period		(28,345)	(15,218)
Total equity and liabilities		**361,822**	**300,751**

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss
For the year ended at 31 December 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Audited** **1 January -** **31 December 2016**	**Audited** **1 January -** **31 December 2015**
Continuing operations			
Marine sector revenues	24	33,068	31,583
Marine sector expenses (-)	24	(40,798)	(34,260)
Gross profit/(loss) of marine sector activities		**(7,730)**	**(2,677)**
Gross profit/(loss) from operations		**(7,730)**	**(2,677)**
Finance sector operating income		**174**	**30**
Foreign exchange gain	25	4	5
Interest income	25	132	25
Finance sector other operating income	25	38	-
Cost of finance sector activities (-)		**(493)**	**(206)**
Provision for finance operations,net,	25	(257)	(206)
Other finance sector operating income/(expenses), net	25	(236)	-
Gross profit/ (loss) from finance sector activities		**(319)**	**(176)**
Gross profit/(loss)		**(8,049)**	**(2,853)**
General administrative expenses (-)	26	(3,428)	(4,098)
Other operating income	27	3,221	1,249
Other operating expenses (-)	28	(1,035)	(624)
Operating profit/ (loss)		**(9,291)**	**(6,326)**
Income from investment activities	29	1,769	10,085
Expenses from investment activities(-)	29	-	-
Share of profit of equity-accounted investees		-	-
Operating profit/(loss) before financial expenses		**(7,522)**	**3,759**
Financial expenses (-)	30	(23,424)	(20,522)
Profit/ (loss) before tax from continued operations		**(30,946)**	**(16,763)**
Tax income/expenses of continued operations		**2,601**	**1,545**
- Taxation on income / (expenses)	31	2,534	-
- Deferred tax income / (expenses)	31	67	1,545
Profit/(loss) for the period		**(28,345)**	**(15,218)**
Earnings / (losses) per share	32	**(0.555)**	**(0.297)**

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Audited** **1 January -** **31 December 2016**	**Audited** **1 January -** **31 December 2015**
Profit / (loss) for the period		**(28,345)**	**(15,218)**
Other comprehensive income/(expenses)			
Other comprehensive income or expenses not to be reclassified to profit or loss		**(31)**	**(30)**
Gains/losses from revaluation of defined benefits		(31)	(30)
To be reclassified as profit or loss		**28,660**	***13,788***
Currency translation differences	23	28,374	23,348
Fair value changes on financial assets	23	286	(9,560)
Other comprehensive income / (expense) (net of tax)		**28,629**	**13,758**
Total comprehensive income / (expense)		**284**	**(1,460)**
Appropriation of total comprehensive income / (expense)		**284**	**(1,460)**
Non-controlling interest		**-**	**-**
Equity holders of the parent		**284**	**(1,460)**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of changes in equity
For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

									Other comprehensive income or expenses not to be reclassified to profit or loss		Other comprehensive income or expenses to be reclassified to profit or loss				Accumulated losses					
	Notes	Paid-in share capital	Adjustment to share capital	Repurchase of shares	Capital adjustment due to cross-ownership	Share Premium/ Discounts	Changes in non-controlling interest reserves	The effect of merger under common control	Gains/losses from the revaluation and reclassification	Other gains /losses	Foreign currency translation adjustment	Hedging gains/ losses	Gains/losses from the revaluation and reclassification of financial assets	Other gains /losses	Restricted reserves	Prior years' profits/(losses)	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Prior period																				
1 January 2015		52,181	24,085	(2,775)	-	1	-	(12,181)	(29)	-	16,227	-	9,274	-	7,528	11,721	(8,549)	97,483	-	97,483
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	363	(8,912)	8,549	-	-	-
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	-	-	-	-	-	363	(8,912)	8,549	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	(1)	-	23,348	-	(9,560)	-	-	(29)	(15,218)	(1,460)	-	(1,460)
Net loss for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,218)	(15,218)	-	(15,218)
Other comprehensive income/(expense)		-	-	-	-	-	-	-	(1)	-	23,348		(9,560)	-	-	(29)	-	13,758	-	13,758
Transactions with shareholders accounted under equity		-	-	2,775	-	(141)	-	-	-	-	-	-	-	-	(2,775)	2,775	-	2,634	-	2,634
Capital increase and share changes due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The increase / decrease due to repurchase of shares		-	-	2,775	-	(141)	-	-	-	-	-	-	-	-	(2,775)	2,775	-	2,634	-	2,634
Balance as at 31 December 2015		52,181	24,085	-	-	(140)	-	(12,181)	(30)	-	39,575	-	(286)	-	5,116	5,555	(15,218)	98,657	-	98,657
Current period																				
1 January 2016	*23*	52,181	24,085	-	-	(140)	-	(12,181)	(30)	-	39,575	-	(286)	-	5,116	5,555	(15,218)	98,657	-	98,657
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	6,962	(22,180)	15,218	-	-	-
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	-	-	-	-	-	6,962	(22,180)	15,218	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	(1)	-	28,374	-	286	-	-	(30)	(28,345)	284	-	284
Net loss for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,345)	(28,345)	-	(28,345)
Other comprehensive income/(expense)		-	-	-	-	-	-	-	(1)	-	28,374		286	-	-	(30)	-	28,629	-	28,629
Transactions with shareholders accounted under equity		-	-	(2,601)	-	-	-	-	-	-	-	-	-	-	2,601	(2,601)	-	(2,601)	-	(2,601)
Capital increase and share changes due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The increase / decrease due to repurchase of shares		-	-	(2,601)	-	-	-	-	-	-	-	-	-	-	2,601	(2,601)	-	(2,601)	-	(2,601)
Balance as at 31 December 2016	*23*	52,181	24,085	(2,601)	-	(140)	-	(12,181)	(31)	-	67,949	-	-	-	14,679	(19,256)	(28,345)	96,340	-	96,340

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of cash flows
For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
Cash Flows (Indirect method)			
Cash flow from operating activities		**23,649**	**31,476**
Profit/loss for the period		**(28,345)**	**(15,218)**
Period from continuing operations profit (loss)		(28,345)	(15,218)
Adjustments related with the reconciliation of net profit/ loss for the period:		**(2,939)**	**(1,902)**
Depreciation and amortization	*14,15*	18,074	14,299
Provisions		196	406
Provisions for employee benefits	*21*	234	200
Other provisions	*25*	(38)	206
Interest expenses and income		9,561	8,286
Interest income		(424)	(198)
Interest expenses		9,985	8,484
Unrealized foreign currency translation differences		(28,374)	(23,348)
Tax (income)/expenses		(2,601)	(1,545)
Losses/ (gain) arising from the disposal of assets held for sale	13	205	-
Realized changes in working capital		**57,217**	**47,045**
Changes in financial investments		8,506	4,514
Changes in trade receivables		(538)	(645)
Changes in trade receivables		*(538)*	*(645)*
Changes in receivables from financial activities		(54)	13
Changes in other receivables related to operations		9	319
Changes in other receivables		*9*	*319*
Changes in inventories	*10*	790	(289)
Changes in prepaid expenses	*11*	(88)	-
Changes in trade payables		(31)	(1,421)
Changes in due to trade payables		(49)	-
Changes in other trade payables		18	(1,421)
Change in finance sector payables		(225)	(482)
Adjustments related to the changes in other payables related to operations		(74)	(392)
Changes in other payables related to operations		*(74)*	*(392)*
Changes in deferred income		563	(282)
Other changes in working capital		48,359	45,710
Changes in other assets related to operations		*(4,591)*	*46,388*
Changes in other liabilities related to operations		*52,950*	*(678)*
Cash flows derived from operating activities		**25,933**	**29,925**
Dividends received	*29*	-	2,576
Interest received		424	168
Employee benefits paid		(117)	(233)
Tax paid		(2,591)	(960)
Cash flows from investing activities		**(24,100)**	**(10)**
Proceeds of tangible and intangible assets		-	13
Purchase of tangible and intangible assets	*14*	(24,100)	(23)
Cash flow from financing activities		**131**	**(25,331)**
Cash outflows from repurchase of shares and purchase of other equity instruments		(2,601)	-
Cash inflows from sale of repurchased shares		-	2,633
Cash inflows from financial borrowings		51,499	58,735
Repayment of financial borrowings		(42,745)	(78,771)
Interest paid		(6,022)	(7,928)
Net increase in cash and cash equivalents before the effect of foreign currency translation differences		**(320)**	**6,135**
Effect of change in foreign exchange rate on cash and cash equivalents		2,953	1,693
Net (decrease)/increase in cash and cash equivalents		**2,633**	**7,828**
Cash and cash equivalents at 1 January		**14,677**	**6,849**
Cash and cash equivalents at 31 December	*2.5*	**17,310**	**14,677**

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

1. Organization and operations of the Company

GSD Denizcilik, Gayrimenkul, İnşaat Sanayi ve Ticaret Anonim Şirketi ("the Company") was established as a GSD Group Company in 1992. As at 31 December 2016, 16.65 % of certain shares of the Company are listed on Borsa İstanbul (BİST) since 20 February 1995.

According to the Board of Directors resolution dated 25 May 2011, the Company decided to initiate the process regarding the amendment of the articles of association to change the operating activity, due to the sectoral contraction. According to the amendment of articles of association, the title and name of the Company have been changed as "GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi" and "GSD Marin", respectively. Based on the amendment of articles of association, the Company's purpose and activity is decided as purchasing and selling, operating, renting, building and trading of ships, yachts, sea vessels, and relevant instruments, equipment and spare parts; and the purchasing and selling, renting and building real estate properties. The Company's amendment of articles of association was submitted to and approved by the shareholders in the Extraordinary General Meeting held on 24 August 2011 subsequent to the approvals of Banking Regulation and Supervision Agency ("BRSA"), Capital Markets Board of Turkey ("CMB") and the other relevant authorities. The Company's new title was registered on 26 August 2011 as GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi (the former legal title; "Tekstil Finansal Kiralama Anonim Şirketi").

The Company will be able to prosecute its rights and claims resulting from the leasing agreements signed with its former title until its former operating activity is completely ended; on the condition that no new leasing activity or agreement is taken upon, to carry out legal operations for the execution of supplemental agreements, amendment contracts such as change of lessee, term extension and reduction, and similar amendments, annulment of contract, legally follow up of lease receivables to get the underlying leased assets back and collection of receivables; and to partially or completely transfer and assign.

The subsidiary companies have been registered in Malta with 100% shareholding of the Company. The subsidiaries took the delivery of vessels of which the constructions were completed as at the date of 7 May 2013, and begun their operations through rental of vessels. The Company carries out its activities with five dry bulk cargo ships, each of them is owned by one of its affiliates which was established by the Company with 100% share.

The address of the Company's registered office is Aydınevler Mahallesi, Kaptan Rıfat Sokak, No: 3 Küçükyalı-34854 Maltepe-İstanbul. As at 31 December 2016 the Company has 10 employees (31 December 2015: 10).

As at 31 December 2016 and 31 December 2015 information about shareholders and their percentages are as follows:

	31 December 2016		**31 December 2015**	
	Amount	**%**	**Amount**	**%**
GSD Holding A.Ş. ("GSD Holding")	*40,679*	*77.96*	*40,679*	*77.96*
Listed	*8,686*	*16.65*	*11,501*	*22.04*
GSD Denizcilik Gayr.İnş.San Ve Tic.A.Ş. (Repurchased shares)	*2,815*	*5.39*	-	-
Other	*1*	-	*1*	-
Historical amount	**52,181**	**100.00**	**52,181**	**100.00**
Share capital inflation adjustment differences	*24,085*		*24,085*	
Adjustment for inflation amount	**76,266**		**76,266**	

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

1. Organization and operations of the Company (continued)

As at 31 December 2016 and 31 December 2015 the distribution of the Company's shares on the basis of group is as follows:

	31 December 2016	31 December 2015
Group A	8,976	8,976
Group B	3,741	3,741
Group C	37,219	37,219
Group D	2,245	2,245
	52,181	**52,181**

Every shareholder has voting right in proportion to the shares. However, Group A, B and D shareholders are priviledged in the selection of the Board of Directors, and Group A and B shareholders are priviledged in electing auditors. There are no priviledges given to shareholders in the process of profit distribution. GSD Holding holds the entire Group A, B and D shares and it holds Group C shares that amount to TL 25,717.

The Company's and the Consolidated Group Companies' Activities

In the consolidated financial statements, the Company and the subsidiaries that are subject to consolidation are described as "The Group". The subsidiaries that are included in the consolidation as at the date of 31 December 2016, the activity areas and the Group's shares in these subsidiaries are as follows:

Subsidiary	Country of Establishment	Area of Activity	Final Rate %	
			31 December 2016(**)	31 December 2015(*)
Dodo Maritime Ltd.	Malta	Marine	100.00	100.00
Cano Maritime Ltd.	Malta	Marine	100.00	100.00
Hako Maritime Ltd.	Malta	Marine	100.00	100.00
Zeyno Maritime Ltd.	Malta	Marine	100.00	100.00
Neco Maritime Ltd.	Malta	Marine	100.00	-

(*) As a result of capital increases on 31 December 2015, the Company's subsidiaries increased their share capitals; Dodo Maritime Ltd's capital of USD 6,430.50 to USD 5,250,000, Cano Maritime Ltd's capital of USD 6,430.50 to USD 4,250,000, Hako Maritime Ltd.'s capital of the USD 6,420 to USD 3,000,000 and Zeyno Maritime Ltd.'s capital of USD 6,518.50 to USD 2,000,000.

(**)As a result of capital increases on 29 February 2016, the Company's subsidiaries increased their share capitals; Dodo Maritime Ltd.'s capital of USD 5,250,000 to USD 12,000,000, Cano Maritime Ltd.'s capital of USD 4,250,000 to USD 11,000,000, Hako Maritime Ltd.'s capital of USD 3,000,000 to USD 9,000,000 and Zeyno Maritime Ltd.'s capital of USD 2,000,000 to USD 8,000,000.

The subsidiary of the Company, Neco Maritime Ltd., established in Malta on 5 May 2016 owned 100% share with a share capital of USD 5,000, being have taken delivery of the 1 dry bulk carrier ship constructed in 2013, named M/V Oliva, registered in Malta, with 32.500 dwt transportation capacity on 2 August 2016 and started operating the ship by time charter agreements and started earning rental income on 5 August 2016. The financial statements of Neco Maritime Ltd. have been consolidated starting from the reporting period 31 December 2016 in accordance with TFRS.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Principles of financial statement preparation and Declaration of Conformity

The consolidated financial statements have been prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in article 5 of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB") published in the Official Gazette dated 13 June 2013 and numbered 28676 and the related appendices and interpretations.

With its decree dated 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's consolidated financial statements have been prepared in accordance with this decree.

The Group's consolidated financial statements to be made public started to be prepared in a consolidated manner in accordance with TFRS regulations as at the reporting period dated June 2013 since they were included in the consolidation scope after their ship ownerships.

The ship which belongs to Hako Maritime Ltd., subsidiary of GSD Dış Ticaret A.Ş. established with a capital share of 100% and a capital of full Euro 5,000 in Malta on 1 April 2013 was received by the subsidiary as at 23 June 2014 and started being rented and yielding rental income as at 26 June 2014. Since Hako Maritime Ltd. is included in the consolidation scope after its ship ownership, the financial statements of Hako Maritime Ltd. started to be prepared in a consolidated manner in accordance with TFRS regulations as at the reporting period dated June 2014. The ship which belongs to Zeyno Maritime Ltd., subsidiary of GSD Dış Ticaret A.Ş. established with a capital share of 100% and a capital of full Euro 5,000 in Malta on 22 April 2013 was received by the subsidiary as at 29 September 2014 and started being rented and yielding rental income as at 2 October 2014. The financial statements of Zeyno Maritime Ltd. have been consolidated starting from the reporting period dated 31 December 2014 in accordance with TFRS regulations.

GSD Dış Ticaret A.Ş. dissolved without liquidation on 31 December 2014 and merged with GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. Accordingly, all assets and liabilities of GSD Dış Ticaret A.Ş. were transferred to GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. on 31 December 2014 and the financial statements of Hako Maritime Limited and Zeyno Maritime Limited have been consolidated starting from the reporting period dated 31 December 2014.

The subsidiary of the Company, Neco Maritime Ltd., established in Malta on 5 May 2016 owned 100% share with a share capital of USD 5,000, being have taken delivery of the 1 dry bulk carrier ship constructed in 2013, named M/V Oliva, registered in Malta, with 32.500 dwt transportation capacity on 2 August 2016 and started operating the ship by time charter agreements and started earning rental income on 5 August 2016. The financial statements of Neco Maritime Ltd. have been consolited starting from the reporting period 31 December 2016 in accordance with TFRS.

The consolidated financial statements of the Group dated 31 December 2016 were approved by the Company's Board of Directors on 13 March 2017. The General Assembly and related legal institutions have the right to amend the financial statements after they have been issued.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.2 Functional and Reporting Currency

The Company registered in Turkey maintains its books of account and prepare its statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the Turkish Financial Reporting Standards, have been accounted for in the statutory financial statements which are prepared in accordance with the historical cost principle. The Group companies which are in the scope of consolidation Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited, Zeyno Maritime Limited and Neco Maritime Limited's functional currency is US Dollars.

2.1.3 Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumtances indicate that there are changes to one or more of three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the invstee when the voting rights are sufficent to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumtances in assessing whether or not the Company's voting rights in an investee sufficent to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holding of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- and additional fact and circumtances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of subsidiary. Specifally, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other compreherensive income from the date the Company gains control until the date when the Company cases the to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Compnay and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results non-controlling interests having a deficit balance. The Company has owned 100% share of all subsidiaries and has no non-controlling shares in the consolidated financial statements.

When necesary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Groups accounting policies.

All intragroup assests and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries as at 31 December 2016 and were prepared according to the principles below:

i) The statements of financial position and income statements were subjected to consolidation by using full consolidation method, and the registered values of the subsidiaries in the Company books and the equity capitals of the subsidiaries in the financial statements were reciprocally clarified. The consolidated financial statements were cleared of all the balances and transactions that resulted from the transactions between the subsidiaries and the Company and of all kinds of unearned income.

ii) In the preparation of the financial statements of the subsidiaries that are included in the consolidation, the necessary corrections and classifications were applied to the records – which were kept based on historical costs – with regards to conformity to TFRS and to the accounting principles and policies and presentation of the Company.

iii) The operating results of the subsidiaries were included in the consolidation being effective as at the date the control in the aforementioned companies was transferred to the Company.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position (balance sheet) when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Going concern

The Company prepared its financial statements according to the going concern assumption.

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and restating the prior period consolidated financial statements. There are no changes in accounting policies in the current period.

2.3 Accounting estimates

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current year.

Material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated. There are not any accounting errors that are detected in the current period.

2.4 New standards and interpretations not yet adopted as at 31 December 2016

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.

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2016 (continued)

Standards and interpretations issued but not yet effective and not early adopted as at 31 Decemeber 2016

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 2018. 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 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.

IFRS 9 Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (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 financial position or performance of the Group.

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 TAS 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 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS 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 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2.4 New standards and interpretations not yet adopted as at 31 December 2016 (continued)

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2016 (continued)

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 *Income Taxes*– Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies

(a) Financial instruments

Non – derivative financial instruments

The Group's financial assets comprise of receivables from finance sector operations, cash and cash equivalents, trade receivables, other receivables and financial investments. Financial liabilities, payables from finance sector operations, trade payables and other payables are classified as financial liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, excluding held for trading instruments. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables from the finance sector operations consist of financial lease receivables and the total of minimum lease payments are carried at net value after the unearned income including the financial lease interest for the subsequent year are deducted from the gross financial lease receivables including interest and capital amounts As lease payments are made, the lease amount is deducted from the gross financial lease receivables and the part of the lease payment in the unearned income pertaining to the interest is recognized as financial lease interest income in profit or loss.

Receivables from the finance sector operations and other receivables are recognized in the financial statements over their remaining values after the amount of provision booked for their non-collectible parts are deducted. Provisions is booked over the book value of the receivables which are confirmed to be impaired based on the regular reviewing of the receivables from finance sector operations and other receivables in order to bring them to their collectible values. A receivable which has become doubtful is derecognized after the completion of all legal procedures and calculation of the net loss.

Available-for-sale assets consist of securities acquired for investment purposes, which will not be held to maturity and are not held for sale. These available-for-sale assets consist of share certificate investments which are and are not traded in an active market. Share certificate investments which are not traded in an active market are valued at cost value since their fair values cannot be determined reliably.

Share certificate investments quoted in the stock exchange and held by the Group are classified as available-for-sale financial assets and are carried at fair value. While impairment is recorded in profit or loss, profit or losses arising from the changes in fair value are recognized in other comprehensive income and carried in the financial asset revaluation fund. In the event of disposal or impairment of the investment, the total profit or loss accumulated in the financial asset revaluation fund are classified in profit or loss.

Trade receivables which occur as a result of provision of goods or services to a buyer are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost using the effective interest rate method less the unearned financial income. Short duration receivables with no defined interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Financial liabilities are measured initially at fair value. Any transaction costs directly attributable to the undertaking of a financial liability are added on the fair value of the financial liability. These financial liabilities are subsequently measured at amortised cost using the effective interest method and differences between initially recognized costs are recognized in profit or loss statement until maturity.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Liabilities from finance sector operations are recognized on cost values due to their short term nature.

A financial asset is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset**.**

Ordinary share certificates are classified as paid-in capital. Additional costs directly attributable to the issue of ordinary shares are recognized as decrease in equity after the tax effect is deducted.

(b) Tangible Fixed Assets and Depreciation

Tangible fixed assets acquired prior to 1 January 2005 are carried with restated cost for the effects of inflation as at 31 December 2004 less accumulated depreciation and any accumulated impairment losses. Tangible fixed assets acquired after 31 December 2004 are carried at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Depreciation

Depreciation for tangible fixed assets is provided on a straight-line basis over their estimated useful lives. Depreciation is provided for leasehold improvements on a straight-line basis over the related lease period. Depreciation corresponding to the period is calculated by dividing costs incurred for tangible assets after deducting the salvage value by the asset's useful life. Salvage value represents value of the related fixed asset at the end of its useful life.

The Group management makes important assumptions about determination of ships' useful lives in direction of technical team experiences. Besides, market data is used for determination of salvage value.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Ships	18
Machines and equipment	3-4
Vehicles	5
Furniture and fixtures	4-5

Gains or losses on disposals of tangible assets are classified under "other operating income" and "other operating expense" accounts, respectively.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(c) Assets held for sale

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

(d) Impairment of assets

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.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between assets carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

The recoverable amount of an asset or cash generating unit ("CGU") 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 internal rate of return that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(d) Impairment of assets (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax internal rate of return that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognised in prior years other assets 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 amortisation, if no impairment loss had been recognised.

(e) Share capital increases

Share capital increased pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

(f) Provision for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. Since there is no funding requirement in Turkey, no funds were created for these benefit plans.

Costs of employees' services in the current or prior periods are calculated by annual liability method in the framework of defined benefit plans. Even though the Employee Benefits (IAS 19) standard was published on the official gazette on 12 March 2013, no. 28585, states recognizing actuarial gain/(loss) under equity, the Group recognized actuarial gain/(loss) under profit and loss and other comprehensive income since the amount is immaterial.

The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees in accordance with TAS 19.

	31 December 2016	**31 December 2015**
Net discount rate	4.33%	4.33%
Expected rate of salary / limit increase	6%	6%
Turnover rate to estimate the probability of retirement	97.78%	92%

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(f) Provision for employee severance payments (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. As the maximum liability is revised semi-annually, amount of full TL 4,297.21 (31 December 2015: full TL 3,828.37) which is effective as at 31 December 2016 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

(g) Provisions, contingent assets and liabilities

As specifies in TAS 37, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent assets are not recognized unless they are realized and are only disclosed in the notes.

(h) Revenue recognition

(i) Interest income and other income from finance sector activities

Interest income and other income from finance sector activities are recognized on accrual basis using the effective interest method.

(ii) Dividend Income

Dividend income is recognized in profit or loss in the period they are declared.

(iii) Other Income / Expense

Other income and expenses are recognized on accrual basis.

(iv) Financial Income / Expense

Financial income and expenses are recognized on accrual basis by using the effective interest rate method over the period.

(v) Marine sector revenues and expenses

Marine sector revenues and expenses are recognized on accrual basis.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(i) Taxes on income

Income taxes include current period income tax liabilities and deferred tax liabilities. Current tax payable includes adjustments related to tax on the taxable profit for the reporting period and the end of the tax liability is calculated using the prevailing tax rates and tax payable in respect of previous years.

Deferred tax is recognized 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 measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date and tax effect of fair value change of financial assets available for sale is recognized in equity.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.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

(j) Related Parties

For the purpose of these consolidated financial statements, shareholders and associated companies and other companies within the GSD Holding group, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, are considered and referred to as related parties. Transactions with related parties are priced according to market conditions.

Related party, is an individual or entity related to the entity preparing the financial statements ('reporting entity').

(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) 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).
- (i) The entity and the company are members of the same group.
- (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).

A related party transaction is a transfer of resources, services or obligations between related parties regardless of whether a price is charged.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(k) Earning per share

Earnings per share is calculated by dividing the net income by the weighted average number of common stock shares. The weighted average number of shares is the number calculated by multiplying and aggregating the number of ordinary shares outstanding at the beginning of the period and the number of shares withdrawn or issued during the period by a time-weighting factor. A time-weighting factor is the rate of the number of the days for which a specific number of shares have been outstanding to the total number of days in the period.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

(l) Borrowing costs

Investment in a tangible asset that can not be associated with all borrowing costs are recognized in profit or loss in the period they occur. Investment in a tangible asset that can be associated with all borrowing costs are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale in accordance with "TAS 23 Borrowing Costs".

(m) Leases

(i) Operating leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate.

(ii) Finance leases are explained Note 2.5(a)

(n) Events after the reporting period

Events after the reporting period refer to events that in favor or against to company and occur between the end of the reporting period and the balance sheet's date of authorization for the publication. In accordance with TAS 10 "Events after the reporting period", as at ending reporting period, in terms of occurring new evidences about related events or in terms of occurring related events after reporting period and if these events require correction of financial statements, the Group adjusts consolidated financial statements in accordance with new state. If related events do not require correction of consolidated financial statements, the Group explains related matters in footnotes.

(o) Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Since the Group has no material activity besides marine activities, segment reporting is not reported.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(p) Statement of Cash Flows

The Group prepares statement of cash flows to inform users of the financial statements about changes in net assets, financial structure and the amount and timing of cash flows' guidance ability in terms of changing circumstances.

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements. Cash flows from operating activities represent the cash flows generated from the Group's activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments). Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents represent cash in hand, deposits in banks, and short-term high liquid investments with not having depreciation risk.

As at 31 December 2016 and 31 December 2015, cash and cash equivalents details are as follows except the interest income rediscounts presented in the cash flow statement.

	31 December 2016	31 December 2015
Cash	1	2
Banks	17,309	14,675
	17,310	**14,677**

(r) Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries

The assets and liabilities, presented in the financial statements of the foreign subsidiaries prepared in accordance with the Group's accounting policies, are translated into TL at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

Exchange rates as at 31 December 2016 and 31 December 2015 that were used by the Company are as follows;

	31 December 2016	31 December 2015
USD	3.5192	2.9076
EURO	3.7099	3.1776

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(s) Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. The Group's inventories consist of ship oil. Costs of inventories comprise purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition.

(t) Business combination

The merger of these two companies through the acquisition of GSD Dış Ticaret Anonim Şirketi by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. as a whole with all assets, liabilities and all rights, receivables, payables and obligations, and the merger or these two companies within the body of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is a merger covering jointly controlled entities and therefore is not subject to "TFRS 3 Business Combinations". In accordance with the decree of the Public Oversight, Accounting and Auditing Standards Authority (POA) dated 21 July 2013 in order to eliminate the differences which may occur in the implementation of the accounting policies; since recognition of jointly controlled entities using the pooling of interest method and therefore the exclusion of goodwill in the financial statements, when using the pooling of interests method, the adjustment of financial statements as if the merger was made as at the beginning of the reporting period in which joint control occurred and the comparative presentation as at the beginning of the reporting period in which joint control occurred and seeing from the parent company's point in reflecting the jointly controlled business combinations in the financial statements will be appropriate, it is necessary to restate the financial statement in the consolidation process in accordance with the provisions of TAS on the date on which the company controlling the group acquired the control of the companies with joint control power and after as if preparing financial statements in accordance with TAS including business combination accounting and to use an account of "Effect of Mergers Covering Jointly Controlled Initiatives or Entities" under equity in order to eliminate the possible asset-liability inconsistency to occur due to the merger of jointly controlled entities. As at 31 December 2016, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL 12,181 (31 December 2015: TL 12,181).

3. Cash and cash equivalents

As at 31 December 2016 and 31 December 2015 cash and cash equivalents are as follows;

	31 December 2016	31 December 2015
Cash at banks	17,320	14,705
Demand deposit	*4,248*	*2,340*
Time deposit	*13,072*	*12,365*
Cash on hands	1	2
	17,321	**14,707**

As at 31 December 2016, the time deposits comprised bank placements in TL and USD. As at 31 December 2016 interest rate is 6.50% for TL, 0.01% - 0.225% for USD (31 December 2015: 6.75% - 13.50% for TL, 1.90% - 2.40% for USD) denominated bank accounts. The first upcoming unpaid loan installment amount is blocked by the bank from the ship lease incomes collected through the bank.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4. Financial investments

4.1 Financial assets available for sale

As at 31 December 2016 and 31 December 2015 financial assets (available for sale) are comprised of shares that are traded on the stock exchange. As at 31 December 2016 and 31 December 2015 details of financial assets available for sale are as follows;

	31 December 2016		31 December 2015	
	% of shares	Carrying value	% of shares	Carrying value
Listed				
GSD Holding	-	-	3.16	8,220
		-		**8,220**

Group (D) shares of GSD Holding A.Ş. having a nominal value of TL 7,904,221.24 have been sold on Borsa Istanbul at a price range of TL 1.27-1.34 for each share having a nominal value of TL 1 with a total cash price of full TL 10,331,614.92 between 19 April 2016 and 25 May 2016. The share ratio of the Company in GSD Holding A.Ş., which was 3.16%, has become 0% as at 31 December 2016.

The Company's credit, liquidity and market risk exposures resulting from its financial investments are disclosed in Note 33.

5. Subsidiaries, Joint Ventures Investments and Investment in Associates

As at 31 December 2016 and 31 December 2015 financial investments (other financial assets) which are disclosed under non-current assets comprised of shares that are not traded on the stock exchange.

As at 31 December 2016 and 31 December 2015, details of other financial investments are as follows;

	31 December 2016		31 December 2015	
	% of shares	Carrying value	% of shares	Carrying value
Not Listed				
GSD Faktoring A.Ş.	1.98	962	1.98	962
		962		**962**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

6. Related party disclosures

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is ultimately controlled by GSD Holding that owns the 77.96% (31 December 2015: 77.96%) of its shares and that is the principal shareholder of the Company. The ultimate owner of the Company is GSD Holding and in the accompanying financial statements GSD Holding and its related companies are disclosed as related parties. In addition, related parties include the Company's principal owners, management, Board of Directors and their families.

(a) Banks

	31 December 2016	31 December 2015
Cash at banks	2	5,913
GSD Bank (Other related party)	*2*	*5,913*
Bank borrowings	9.172	-
GSD Bank (Other related paty))	*9.172*	-

As at 31 December 2016, the Company has no letters of guarantee obtained from related party banks (31 December 2015: TL 33).

b) Other balances and transactions with related parties

As at 31 December 2016 and 31 December 2015, due to related parties are as follows;

	31 December 2016	31 December 2015
GSD Holding A.Ş.	11	54
GSD Yatırım Bankası A.Ş	-	6
Total	**11**	**60**

Trade payables due to related parties comprised of representation services that are provided by GSD Holding and GSD Yatırım Bankası.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

6. Related party disclosures (continued)

Transactions with related parties as at 31 December 2016 and 31 December 2015 are as follows;

Group companies of the parent	31 December 2016	31 December 2015
GSD Holding A.Ş.- Profit on sale from sold shares	1,754	7,496
GSD Yatırım Bankası A.Ş - Interest income	33	60
GSD Yatırım Bankası A.Ş. - Banking commission expenses	(1)	(18)
GSD Yatırım Bankası A.Ş - Interest expenses	(47)	(9)
GSD Yatırım Bankası A.Ş. - Share payments	(61)	(54)
GSD Holding - Share payments	(123)	(508)
M. Turgut Yılmaz - Rent expenses	(260)	(316)
Tekstil Bankası A.Ş. - Interest Income (*)	-	1
GSD Faktoring A.Ş. - Dividend income	-	79
GSD Holding A.Ş.- Divided income	-	2,497
Tekstil Yatırım Menkul Kıymetler A.Ş. - Banking commission expense(*)	-	(1)
Tekstil Bankası A.Ş. - Service fee paid for archive (*)	-	(2)
Tekstil Bankası A.Ş. - Banking commission expenses (*)	-	(3)
GSD Holding - Representation expenses	-	(5)
Tekstil Bankası - Interest expenses (*)	-	(725)

(*) Income and expense transactions between the Group and Tekstil Bankası A.Ş. have not been considered as a related party transactions after 31 March 2015 since Tekstil Bankası A.Ş.'s shares that held by GSD Holding (rate of %75.50) were sold to Industrial and Commercial Bank of China Limited (ICBC) as at 22 May 2015.

(c) Derivative financial transactions

As at 31 December 2016, the Group does not have any derivative transactions with related parties (31 December 2015: None).

(d) Key management benefits

Total benefit of key management for the period ended 31 December 2016 is TL 1,112 (31 December 2015: TL 961).

(e) Other

As at 31 December 2016, GSD Holding has provided surety amounting to TL 476,946 to credit institutions as a guarantee against its open lines of credit (31 December 2015: TL 370,056).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables

7.1 Trade receivables

As at 31 December 2016 and 31 December 2015, details of trade receivables are as follows;

	31 December 2016	31 December 2015
Trade receivables from marine activities	3,017	2,479
Doubtful trade receivables	1,980	1,980
Provision for doubtful trade receivables	(1,980)	(1,980)
	3,017	**2,479**

Movements in the provision for doubtful trade receivables:

	31 December 2016	31 December 2015
Allowance at the beginning of the year	1,980	1,980
Provision net of recoveries	**-**	**-**
Allowance at the end of period	**1,980**	**1,980**

7.2 Trade payables

As at 31 December 2016 and 31 December 2015, details of trade payables are as follows;

	31 December 2016	31 December 2015
Trade payables from VAT refund receivables	220	225
Trade payables from marine activities	184	161
Other trade payables (*)	11	60
	415	**446**

(*) Other trade payables comprised of representation services that are provided by GSD Holding and GSD Yatırım Bankası.

8. Receivables and payables from finance sector activities

8.1 Receivables from finance sector activities

As at 31 December 2016 and 31 December 2015, details of short-term receivables from finance sector operations are as follows;

	31 December 2016	31 December 2015
Finance lease receivables	168	114
Doubtful receivables	2,870	2,651
Provision for doubtful receivables	(2,870)	(2,651)
	168	**114**

The Company does not have long-term receivables from finance sector operations as at 31 December 2016. (31 December 2015: None). The Company's credit, liquidity and market risk exposures resulting from financial sector receivables are disclosed in Note 33.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

8. Receivables and payables from finance sector activities (continued)

8.1.1 Finance lease receivables

As at 31 December 2016 and 31 December 2015 details of finance lease receivables are as follows;

	31 December 2016	31 December 2015
Short-term finance lease receivables		
Finance lease receivables, due	172	92
Finance lease receivables, not due	-	29
Unearned interest income (-)	(4)	(7)
Short-term finance lease receivables, net	**168**	**114**
Long-term finance lease receivables, net	**-**	**-**
Total finance lease receivables, net	**168**	**114**

8.1.2 Doubtful receivables

The Company books provisions for allowance for doubtful leasing receivables on a customer basis. Provision amounts consist of receiavables from uncollectable repayments and uncollectable guarantees acquired for those receivables.

The movement of the provisions which are booked for doubtful receivables are as follows;

	31 December 2016	31 December 2015
Balance at January 1	2,651	2,445
Current period provisions	257	206
Current period collections for provision	(38)	-
Provision net of recoveries	**219**	**206**
Balance at December 31	**2,870**	**2,651**

The doubtful receivables provision expenses that are booked within the period are accounted in the other operating expenses.

8.2 Payables from finance sector activities

As at 31 December 2016 and 31 December 2015 details of payables from finance sector operations are as follows;

	31 December 2016	31 December 2015
Advances received	249	469
Suppliers	30	35
	279	**504**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

9. Other receivables and payables

9.1 Other receivables

As at 31 December 2016 and 31 December 2015, details of other receivables are as follows;

	31 December 2016	31 December 2015
Other receivables from finance lease agreements	169	178
Other receivables	4	4
	173	**182**

9.2 Other payables

As at 31 December 2016 and 31 December 2015 details of other payables are as follows;

	31 December 2016	31 December 2015
Other tax payables	58	54
Social security premium payables	49	20
Other	5	112
	112	**186**

10. Inventories

As at 31 December 2016 and 31 December 2015 details of inventories are as follows;

	31 December 2016	31 December 2015
Ship oil	926	1,716
	926	**1,716**

11. Prepaid expenses

As at 31 December 2016 and 31 December 2015 details of prepaid expenses that are classified in current assets are as follows;

	31 December 2016	31 December 2015
Insurance expenses	530	506
Prepaid loan comissions expenses	74	-
Ship annual tonnage tax expenses	25	35
Prepaid miscellaneous expenses	15	15
Ship annual registration fee expenses	6	6
	650	**562**

As at 31 December 2016 and 31 December 2015, there are no prepaid expenses that are not classified in non-current assets.

12. Current income tax assets

As at 31 December 2016 and 31 December 2015, there is no current income tax assets.

13. Assets held for sale

As at 31 December 2016, assets held for sale amounting to TL 76 comprised of a land, a building and miscellaneous machineries which were acquired from certain customers in exchange for finance lease receivables (31 December 2015: TL 281).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

14. Tangible assets

Movement of tangible assets for the period ended 31 December 2016 are as follows;

	1 January 2016	Additions	Disposals	Currency translation differences	31 December 2016
Cost					
Ships	297,887	24,084	-	66,645	388,616
Machine and equipments	26	-	-	-	26
Vehicles	-	-	-	-	-
Furniture and fixtures	1,448	16	-	-	1,464
	299,361	**24,100**	**-**	**66,645**	**390,106**

	1 January 2016	Current year charge	Disposals	Currency translation differences	31 December 2016
Accumulated depreciation					
Ships	27,341	18,056	-	5,750	51,147
Machine and equipments	26	-	-	-	26
Vehicles	-	-	-	-	-
Furniture and fixtures	1,407	15	-	-	1,422
	28,774	**18,071**	**-**	**5,750**	**52,595**
Net book value	**270,587**				**337,511**

Movement of tangible assets for the year ended 31 December 2015 are as follows;

	1 January 2015	Additions	Disposals	Currency translation differences	31 December 2015
Cost					
Ships	237,608	-	-	60,279	297,887
Machine and equipments	26	-	-	-	26
Vehicles	10	-	(10)	-	-
Furniture and fixtures	1,425	23	-	-	1,448
	239,069	**23**	**(10)**	**60,279**	**299,361**

	1 January 2015	Current year charge	Disposals	Currency translation differences	31 December 2015
Accumulated depreciation					
Ships	10,410	14,288	-	2,643	27,341
Machine and equipments	26	-	-	-	26
Vehicles	-	-	-	-	-
Furniture and fixtures	1,397	10	-	-	1,407
	11,833	**14,298**	**-**	**2,643**	**28,774**
Net book value	**227,236**				**270,587**

As at 31 December 2016 and 31 December 2015, the ships were pledged to banks in return for the borrowings used for financing the ships (Note 18).

14. Tangible assets (continued)

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has taken the higher value of use determined through fair value whose sales expenses are deducted as amount recoverable and discounted cash flow methods in the impairment calculation made taking each of the dry cargo ships, owned by its five maritime affiliates located in Malta, into account as cash generating units as basis as at 31 December 2016 in accordance with TAS 36 and has not booked a provision for impairment as at 31 December 2016 since the value of use are higher than carrying amounts for each of the five ships. Discounted cash flow calculations, used to determine amount recoverable, have been started based on final budgeting of technical management company made for leasing contracts which are considered to be concluded in near future in the framework of current market conditions through examining current ship leasing agreements and realisations in previous periods for income. Cash flows which can occur in depreciation period have been tried to be anticipated using expectations and assumptions generated by Company management on direction, level and timing of market based on recent condition of freight market and impacts related to its development and it is deducted to reporting date with a discount rate appropriate to structure of the Company and market. Amounts, deducted from cost while determining amount subject to depreciation have been used as cash inflow in value of use calculation. Selection of periods in which fixed or variable based leasing are applied or locations of ships on the expiration of leasing period are main factors which can cause different realizations from those which have been anticipated under assumptions in calculations. On the other hand, the realization of assumptions are bounded to variable factors directing global dry cargo ship transportation market. The Company management believes that any changes reasonably occurring in any of aforementioned main assumptions shall not cause total carrying amounts of aforementioned cash generation units being higher than the total recoverable amounts.

15. Intangible assets

As at 31 December 2016, intangible assets of the Company have been amortized (31 December 2015: TL 3). Current period amortisation of other intangible assets isTL 3 (31 December 2015: TL 1).

16. Financial liabilities

16.1 Borrowing cost

In the consolidated financial statements of the Group dated 31 December 2016, TL 194 borrowing cost, related to acquisition of 1 dry bulk carrier ship registered on Valletta/Malta constructed in 2013 with 32.500 DWT capacity which is owned by Neco Maritime Limited, is booked as down payments for fixed asset acquisition under pre-paid expenses before delivery date of the ship. After delivery date, according to TAS 23 Borrowing Costs, related cost is capitalized as tangible asset on acquisition and production costs of ships account.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

16. Financial liabilities (continued)

16.2 Bank borrowings

As at 31 December 2016 and 31 December 2015 borrowings consist of bank loans. Details of bank loans are as follows;

				31 December 2016			31 December 2015
	Currency	Original amount	TL equivalent	Interest rate %	Original amount	TL equivalent	Interest rate %
Fixed interest(*)	TL	15,720	15,720	5.40%-5.80%	20	20	-
Short-term bank borrowings		**-**	**15,720**	**-**	**-**	**20**	**-**
Fixed interest(*)	TL	36,219	36,219	4.50%-5.50%			
Fixed interest	USD	15,264	53,716	4.25%-5.40%	4,125	11,995	4.50%-5.50%
Floating interest	USD	4,289	15,093	Libor 3M + 2.80% -3.15%, Libor 6M + 4.75%	4,172	12,130	Libor 3M + 2.80% -3.15%, Libor 6M + 4.75%
Short-term portion of long-term bank borrowings		**-**	**105,028**	**-**	**-**	**24,125**	**-**
Fixed interest	USD	-	-	-	17,960	52,220	4.50%-5.50%
Floating interest	USD	40,210	141,508	Libor 3M + 2.80%-3.15%, Libor 6M + 4.75%	41,961	122,005	Libor 3M + 2.80%-3.15%, Libor 6M + 4.75%
Long-term bank borrowings			**141,508**			**174,225**	
Total long-term borrowings			**246,536**			**198,350**	
Total			**262,256**			**198,370**	

(*) As at 31 December 2016, the Group has foreign currency denominated borrowings presented in TL column with a fixed interest rate in the accompanying consolidated statements.

The Company's credit, liquidity and market risk exposures resulting from its financial liabilities are disclosed in Note 33.

Repayment schedule of the borrowings that are originally medium term and long term loans are as follows;

	31 December 2016		31 December 2015	
	Fixed interest	**Floating interest**	**Fixed interest**	**Floating interest**
Up to 1 year	89,935	15,093	11,995	12,130
Up to 2 years	-	14,464	52,220	11,679
Up to 3 years	-	14,464	-	11,679
Up to 4 years	-	31,690	-	11,679
More than 5 years	-	80,890	-	86,968
	89,935	**156,601**	**64,215**	**134,135**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

17. Leasing transactions

17.1 Operating leases

17.1.1 Leases as lessor

Cano Maritime Limited and Dodo Maritime Limited rent their dry bulk carrier ships called M/V Cano and M/V Dodo, starting from the date of acquisition 7 May 2013, by time charter ship leasing agreements. The technical management of these ships is given to a company abroad within agreements by Cano Maritime Limited and Dodo Maritime Limited.

Hako Maritime Limited rents its dry bulk carrier ship called M/V Hako, starting from the date of acquisition 23 June 2014, by time charter ship leasing agreements. The technical management of the ship is given to a company abroad within agreements by Hako Maritime Limited.

Zeyno Maritime Limited rents its dry bulk carrier ship called M/V Zeyno, starting from the date of acquisition 2 October 2014, by time charter ship leasing agreements. The technical management of the ship is given to a company abroad within agreements by Zeyno Maritime Limited.

Neco Maritime Limited rents its dry bulk carrier ship called M/V Oivia, starting from the date of acquisition 5 August 2016, by time charter ship leasing agreemens. The technical management of the ship is given to a company abroad within agreements by Neco Maritime Limited.

Ship lease income and technical management fees are classified under the "Marine Sector revenues and expenses" as "Marine sector income" and "Marine sector expenses" in Note 24.

The first upcoming unpaid loan installment amount is assigned by the bank from the ship lease incomes collected through the bank and interest is received from the blocked amount until maturity.

17.1.2 Leases as lessee

The Group has undergone operating lease agreements as lessee. As at 31 December 2016 and 31 December 2015 contractual lease agreements' liabilities are as follows;

	31 December 2016	31 December 2015
Less than one year	239	224
Between one and five years	123	-
Total	**362**	**224**

For the period ended 31 December 2016, total rent expenses for operating leases amounted to TL 322 recognized in financial statements (31 December 2015: TL 382).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

18. Commitments

18.1 Guarantees given

The Guarantees, Pledges and Mortgages ("GPMs") that the Company gave as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016			31 December 2015		
GPMs given by the Company	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**
A. Total Amount of GPMs that were Given on Behalf of Its Own Legal Entity	**84,705**	**-**	**84,705**	**136,823**	**35**	**136,788**
1. Letters of guarantee that were given by the Group bank as cash collateral surety	-	-	-	33	33	-
2. Letters of guarantee that were given by the non-group bank as cash collateral surety	-	-	-	2	2	-
3. Cash	7,287	-	7,287	2,650	-	2,650
4. Tangible asset mortgage given as cash collateral surety (*)	48,241	-	48,241	104,639	-	104,639
5. Participation share given as cash collateral surety (*)	29,177	-	29,177	29,499	-	29,499
B. Total Amount of GPMs that was Given in Favor of the Partnerships that were Included in the Scope of Full Consolidation	**325,101**	**-**	**325,101**	**198,381**	**-**	**198,381**
1. Bails given as cash collateral surety (*)	210,027	-	210,027	168,882	-	168,882
2. Tangible asset mortgage given as cash collateral surety (*)	108,361	-	108,361	29,499	-	29,499
3. Bank deposit pledge given as cash collateral (**)	6,713	-	6,713	-	-	-
C. Total Amount of GPMs that Other Third Parties give With The Purpose of Assuring Debts for Conducting Ordinary Commercial Activities	**-**	**-**	**-**	**-**	**-**	**-**
D. GPMs that were Given the Scope of the Article 12/2 of the Corporate Governance Communiqué	**-**		**-**	**-**		**-**
E. Total Amount of the Other GPMs Given	**-**	**-**	**-**	**-**	**-**	**-**
i. Total Amount of GPMs that were Given In Favor of the ultimate shareholder	-	-	-	-	-	-
ii. Total Amount of GPMs that were Given In Favor of Other Group Companies that are not Included in the Scope of Articles B and C	-	-	-	-	-	-
iii. Total Amount of GPMs that were Given In Favor of the Third Parties that are not Included in the Scope of Article C	-	-	-	-	-	-
Total	**409,806**	**-**	**409,806**	**335,204**	**35**	**335,169**

(*) M/V Cano, M/V Dodo, M/V Hako, M/V Zeyno, and M/V Olivia owned by Cano Maritime Limited, Dodo Maritime Limited, Hako Maritime Limited, Zeyno Maritime and Neco Maritime Limited respectively and certain parts of subsidiaries shares owned by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. are entirely pledged to banks respectively in return to bank loans borrowed for the acquisition of ships.

(**) By virtue of financing acqusition of ships M/V Cano, M/V Hako and M/V Zeyno, it is the abstructed amount for the benefit of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş.and Zeyno Maritime Limited from the amount which retained in the account of Hako Maritime Limited by the bank as assignment.

As at 31 December 2016 and 31 December 2015, Guarantees/Pledges/Mortgages (GPM) consist of letters of guarantee, guarantees, ship mortgage, pledge of share and bails that are given to the following institutions:

	31 December 2016	**31 December 2015**
Banks	409,806	335,169
Courts	-	32
Other	-	3
	409,806	**335,204**

As at 31 December 2016 and 31 December 2015, the Company has no guarantees, pledges or mortgages except the letters of guarantee – presented above – given on behalf of its own legal entity.

As at 31 December 2016, the rate of the other GPMs the Company has given to the Company's shareholders' equity is 0% (31 December 2015: 0%).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

18. Commitments (continued)

18.2 Guarantees Taken

As at 31 December 2016 and 31 December 2015, the details of the guarantees that were obtained in return for the Company's receivables from finance sector activities are as follows;

	31 December 2016	31 December 2015
Customer promissory notes	182,177	182,739
Mortgages	4,308	4,456
Assignment	420	420
Customer checks	77	77
Letters of guarantees	25	25
	187,007	**187,717**

18.3 Other

As at 31 December 2016, GSD Holding has provided surety amounting to TL 476,946 to credit institutions as a guarantee against its open lines of credit (31 December 2015: TL 370,056).

19. Employee benefit obligations

The Company does not have any employee benefit obligations as at 31 December 201 (31 December 2015: None).

20. Deferred income

As at 31 December 2016, the amount of deferred income TL 961 stems from early collection of monthly rents of ships (31 December 2015: TL 398).

21. Provision for employee benefits

21.1 Provision for short-term employee benefits

As at 31 December 2016 and 31 December 2015 details of provision for short-term employee benefits are as follows;

	31 December 2016	31 December 2015
Bonus premium	120	117
	120	**117**

21.2 Provision for long-term employee benefits

As at 31 December 2016 and 31 December 2015 details of provision for long-term employee benefits are as follows;

	31 December 2016	31 December 2015
Provision for employee benefit	540	426
Employee termination benefit provision	*272*	*193*
Unused vacation provision	*268*	*233*
	540	**426**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

21. Provision for employee benefits (continued)

Employee termination benefit provision

According to the Turkish Labor Law, the Company is obliged to pay severance for its personnel who worked for the Company over a year and who were dismissed or who completed 25 (20 years for women) service years for a company and are entitled to pension (58 years of age for women and 60 years of age for men) or who were conscripted or who died. The severance payment equals to the monthly wage for every service year and this amount is limited to full TL 4,297.21 as at 31 December 2016 (31 December 2015: full TL 3,828,37). Even though the Employee Benefits (TAS 19) standard was published on the official gazette on March 12, 2013, no. 28585, states recognizing actuarial gain/(loss) under equity, the Group recognized actuarial gain/(loss) under profit and loss and other comprehensive income since the amount is immaterial.

As at the 31 December 2016 and 31 December 2015 movement of provision for employee termination benefit is as follows;

	31 December 2016	31 December 2015
Balance at the beginning of the year	193	224
Actuarial gain/loss	39	37
Interest cost	7	7
Provision for the current period	48	21
Paid provision for the current period	(15)	(85)
Reversed provision	-	(11)
Balance at the end of the period	**272**	**193**

Unused vacation provision

According to the governing labor law in Turkey, in case the labor contract ends for some reason, the Company is obliged to pay the earning that the employees are entitled but did not use to that person or beneficiaries as at that person's earning on the contract ending date. According to TAS 19 unused vacation provisions identified as "Benefits to employees" are accrued in the earned periods and are not discounted. The provision for the unused leaves as at 31 December 2016 and 31 December 2015 is the total undiscounted liability amount that all the employees are entitled which corresponds to the days of their unused leaves.

As at the 31 December 2016 and 31 December 2015 movement of provision for unused vacations is as follows;

	31 December 2016	31 December 2015
Balance at the beginning of the year	233	219
Provision for the current period	35	14
Balance at the end of the period	**268**	**233**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22. Other current and non-current assets

As at 31 December 2016 and 31 December 2015 details of other current assets are as follow;

	31 December 2016	31 December 2015
Deferred VAT	491	397
Other	-	17
	491	**414**

As at 31 December 2016 and 31 December 2015, the Company does not have non-current assets.

23. Equity

23.1 Paid-in share capital

As at 31 December 2016, the Company's nominal value of authorized share capital amounts to TL 52,181 (31 December 2015: 52,181 historical value) comprising 5,218,085,564 registered shares of par value of 1 Kuruş ("Kr") each. (One TL is equivalent to a hundred Kr). As at 31 December 2016 and 31 December 2015, the shareholding structure of the Company is disclosed in Note 1.

23.2 Adjustment to share capital

As at 31 December 2016 and 31 December 2015, the Company's inflation-adjustment differences amount to TL 24,085.

23.3 Repurchase of shares (-)

By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares up to 10 percent of paid-in share capital according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. The Company has repurchased 2,815 of TL nominal value of C group shares amounting to 2,601 of TL as of report date (31 December 2015: None).

23.4 Share premium

Premiums concerning shares consist of issuance premiums of shares. Issuance premiums of shares denote the cash inflows received as a result of shares sold with market prices. These premiums are recognized under shareholders' equity and cannot be distributed, however can be used for future capital increases. Losses of the Company sourcing from sales of repurchased shares at an amount of TL 140 have been tracked in premiums related to shares account.

As at 31 December 2016, share premium of the Company is TL 1 and sales losses of repurchased shares is TL 140 (31 December 2015: share premium is TL 1 and sales losses of repurchased shares is TL 141).

23. Equity (continued)

23.5 The effect of under common control business merger

The merger of these two companies through the acquisition of GSD Dış Ticaret Anonim Şirketi by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. as a whole with all assets, liabilities and all rights, receivables, payables and obligations, and the merger or these two companies within the body of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is a merger covering jointly controlled entities and therefore is not subject to "TFRS 3 Business Combinations". In accordance with the decree of the Public Oversight, Accounting and Auditing Standards Authority dated July 21, 2013 in order to eliminate the differences which may occur in the implementation of the accounting policies; since recognition of jointly controlled entities using the pooling of interest method and therefore the exclusion of goodwill in the financial statements, when using the pooling of interests method, the adjustment of financial statements as if the merger was made as at the beginning of the reporting period in which joint control occurred and the comparative presentation as at the beginning of the reporting period in which joint control occurred and seeing from the parent company's point in reflecting the jointly controlled business combinations in the financial statements will be appropriate, it is necessary to restate the financial statement in the consolidation process in accordance with the provisions of TAS on the date on which the company controlling the group acquired the control of the companies with joint control power and after as if preparing financial statements in accordance with TAS including business combination accounting and to use an account of "Effect of Mergers Covering Jointly Controlled Initiatives or Entities " under equity in order to eliminate the possible asset-liability inconsistency to occur due to the merger of jointly controlled entities.

As at 31 December 2016, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL 12,181 (31 December 2015: TL 12,181).

23.6 Other comprehensive income or expenses not to be reclassified to profit or loss

The Company's accumulated other comprehensive income and expenses arising from the reclassification to profit or loss measurement losses on defined benefit plans are summarized below.

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. In 2012, the Group has decided to early adopt the amendments to TAS 19 which is applicable as at 1 January 2013 and recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the balance sheet amounts to TL 31 as at 31 December 2016 (31 December 2015: TL 30).

23.7 Other comprehensive income or expenses to be reclassified to profit or loss

a. Foreign currency translation differences

Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the income statement. As at 31 December 2016, foreign currency translation differences of the Company amount to TL 67,949 (31 December 2014: TL 39,575).

b. Gains/losses from the revaluation and reclassification of financial assets

Financial asset revaluation reserve consists of valuation differences from fair value of available for sale. Group (D) shares of GSD Holding A.Ş. having a nominal value of full TL 7,904,221.24 have been sold on Borsa İstanbul having a nominal value of TL 1 per share with a total cash price of full TL 10,331,614.92 between 19 April 2016 and 25 May 2016. As at 31 December 2016, there is no financial asset revaluation fund (31 December 2015: TL 286 Loss).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23. Equity (continued)

23.8 Restricted reserves

According to the Turkish Labor Law, legal retained earnings are composed of primary and secondary legal reserves. Until the primary legal reserves reach 20% of the Company's capital, they are reserved at the rate of 5% of the profit for the period. The secondary legal reserves are reserved at the rate of 10% of all the dividend distributions that exceed 5% of the Company capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of the total capital however they can be used for covering the losses in case the voluntary reserves are consumed.

As at 31 December 2016 restricted reserves of the Company arise from the first legal reserves amounting to TL 6,647 and the paragraph (e) of the first clause of article 5 of the Corporate Tax Law numbered 5520 amounting to TL 5,431. Regarding to the paragraph (e) of the first clause of article 5 of the Corporate Tax Law numbered 5520 it is stipulated that "75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders' shares, preference shares and preferred rights they have kept for same duration." are exempted from corporate tax. By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares according to the announcements of CMB on July 21, 2016 and July 25, 2016 in order to protect investors. The Company has repurchased 2,815 of TL nominal value of C group shares amounting to 2,601 of TL as of report date. As at 31 December 2016 restricted reserves of the Company is TL 14,679 (31 December 2015: TL 5,116 first legal reserve).

23.9 Retained earnings / (Accumulated losses)

As at 31 December 2016, the Company's accumulated losses amount to TL 19,256 (31 December 2015: retained earnings of TL 5,555). Movements of retained earnings is as follows:

	31 December 2016	31 December 2015
Balance at 1 January	5,555	11,721
Loss for the period	(15,218)	(8,549)
Transfers from special funds	(5,431)	-
Transfers from primary legal reserves	(1,531)	(363)
Gains/losses from revaluation of defined benefits	(30)	(29)
Withdrawal of shares	(2,601)	2,775
Balance at end of period	**(19,256)**	**5,555**

23.10 Distribution on earnings

According to the Turkish Commercial Code ("TCC"), legal retained earnings are composed of primary and secondary legal reserves. Until the primary legal reserves reach 20% of the Company's capital, they are reserved at the rate of 5% of the profit for the period. The secondary legal reserves are reserved at the rate of 10% of all the dividend distributions that exceed 5% of the Company capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of the total capital however they can be used for covering the losses in case the voluntary reserves are consumed.

The inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

23. Equity (continued)

According to the regulations of Capital Markets Board (CMB) of Turkey, there is no minimum required profit distribution for the exchange-traded companies and the net distributable profit of an exchange-traded company preparing consolidated financial statements is calculated by taking into regard its net profit arising from its financial statements in accordance with Turkish Financial Reporting Standards as much as the total of the items that may be distributed as dividend arising from its statutory financial statements based on its books of account. Dividend to be distributed by an exchange-traded company from its net distributable profits arising from its financial statements in accordance with Turkish Financial Reporting Standards is required to be met by the total of its net distributable profit after offsetting its prior year losses, if any, and other items that may be distributed as dividend arising from its statutory financial statements based on its books of account.

The exchange-traded companies in Turkey distribute their profits by the resolution of their general assemblies in accordance with the relevant legislations and within the guidelines stated in their profit distribution policies determined by their general assemblies. The profit distribution policies of the exchange-traded companies must contain at least whether any profit will be distributed or not and if it will be distributed, the profit distribution rate determined for shareholders and other profit-sharing persons; method of payment of the dividend; time of payment of the dividend providing that the dividend distribution process will start latest by the end of the accounting period during which the general assembly meeting was held; whether advance dividend will be distributed or not and, if it will be distributed, the related principles in respect of this.

The Company adopted a policy of not distributing cash or bonus dividend and distributing retained earnings by way of share capital increases through bonus issue by capitalization of internal resources within the regulatory framework of CMB and re-evaluating this policy every year, pursuant to its profit distribution policy explained below.

Dividends are distributed to all outstanding shares as at the distribution date equally in proportion to their ownership percentage in share capital regardless of the issue and acquisition dates of these shares. The rights arising from the dividend privilege are reserved. In the capital increases of public companies, bonus shares are distributed to outstanding shares as at the date of share capital increase.

Profit distribution policy

The Ordinary General Assembly of the Company has resolved on 26 May 2016 that the profit distribution policy of Company for the year 2016 and the subsequent years pursuant to the Corporate Governance Principles is the distribution of profits as bonus shares by means of share capital increases from internal resources through the capitalisation of profits, to the extent that the criteria stipulated by the regulatory framework of CMB in relation to share capital increases through bonus issue are met, in order to finance the growth by way of retention of earnings in equity through the accumulation of profits in extraordinary reserves by considering the growth plans, investing activities and existing financial structures of the associated companies and subsidiaries and this policy is to be re-evaluated every year by taking into account the regulations of the Capital Markets Board regarding profit distribution and the liquidity position of the Company.

Pursuant to the article 16/8. of the Communiqué on Shares (VII-128.1) promulgated by the Capital Markets Board of Turkey (the CMB), without prejudice to statutory obligations with respect to share capital increase, the applications of publicly traded companies to the CMB for share capital increases by capitalisation of internal resources excluding period profit which will result in the adjusted share price dropping below full TL 2, the share price being calculated as the average of the weighted average trading prices in stock exchange within 30 days prior to the disclosure of share capital increase to the public, are not put into process by the CMB.

Decision on distribution

By the General Assembly Meeting of the year 2015 dated 26 May 2016, TL 5,555 portion loss for the period 31 December 2015 net off with retained earnings, TL 9,663 portion loss for the period 31 December 2015 transferred to restricted reserves. Primary legal reserves are reserved from restricted reserves amounting to TL 1,531 in the consolidated TFRS financial statement.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

24. Marine sector revenues and expenses

The details of marine sector revenues and expenses for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Ship lease income	32,095	29,841
Marine sector insurance indemnity income	395	1,206
Other income	578	536
Marine sector income	**33,068**	**31,583**
Ship depreciation expense	(18,056)	(14,288)
Personnel expenses	(13,516)	(10,636)
Various ship equipment, oil and fuel expenses	(2,266)	(2,593)
Ship insurance expenses	(1,767)	(1,652)
Technical management fees	(1,487)	(1,320)
Fuel purchasing and selling difference expenses	(950)	(889)
Maintanence and repair expenses	(459)	(773)
Loss of hire	-	(696)
Other expenses	(2,297)	(1,413)
Marine sector expenses	**(40,798)**	**(34,260)**
Gross Profit/(Loss) from marine sector activities	**(7,730)**	**(2,677)**

Subsidiaries of the Company have been registered in Malta with 100% shareholding; Dodo, Cano, Hako, Zeyno and Neco Maritme ltd. each owns a ship. All ships generates revenue by time hire agreements.

25. Interest and other income/interest, commission and other expenses

The details of interest and other income and interest, commission and other expenses for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Finance lease interest income	131	6
Finance lease receivables dividend income	1	19
Finance lease receivables default income	4	5
Finance sector other operating income	38	-
Total interest and other income	**174**	**30**
Finance sector activity provision (expenses)/income, net	(257)	(206)
Total finance sector activity provision (expenses)/income, net	**(257)**	**(206)**
Other finance sector activities income/(expense), net	(236)	-
Total other finance sector acivities income(/expenses), net	**(236)**	**-**
Gross profit/(loss) from finance sector activities	**(319)**	**(176)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

26. General administrative expenses

The details of general administrative expenses for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	2,376	2,394
Rent and other expenses	260	316
Audit expenses	190	135
Purchases of services from related parties expenses	184	571
Vehicle and travel expenses	174	489
Depreciation expenses	18	11
Tax, duty and charge expenses	9	5
Quotation expenses	9	38
Insurance expenses	1	15
Other	207	124
Total	**3,428**	**4,098**

The details personnel expenses that are included in general administrative expenses for the years ended 31 December 2016 and 31 December are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Wages and salaries	1,991	2,115
Social security premium expenses – employer's share	144	140
Employee termination benefit provision expenses	86	35
Other	155	104
Total	**2,376**	**2,394**

27. Other operating income

The details of other operating income that belong to for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency exchange income	2,599	886
Interest received from banks	424	198
Employee termination benefit cancellation income	15	111
Other	183	54
Total	**3,221**	**1,249**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

28. Other operating expenses

The details of other operating expenses for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency exchange losses	997	617
Other expenses	38	7
Total	**1,035**	**624**

29. Income/expenses from investment activities

The details of income/expenses from investment activities for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Gain on sale of financial assets available for sale (*)	1,754	7,496
Gain on sale of fixed assets	15	-
Dividend income	-	2,576
Other income	-	13
Total	**1,769**	**10,085**

(*) Group (D) shares of GSD Holding A.Ş. having a nominal value full of full TL 7,904,221.24 have been sold on BIST at a price range of full TL 1.27-1.34 for each share having a nominal value of TL 1 with a total cash price of full TL 10,331,614.92 as of 25 May 2016.

For the year ended 31 December 2016, the Company does not have expenses from investment activities.

30. Financial income and expenses

The details of finance expenses for the years ended 31 December 2016 and 31 December 2015 are as follows;

	1 January- 31 December 2016	1 January- 31 December 2015
Foreign currency exchange losses from borrowings	13,439	12,038
Interest expense	9,830	8,412
Other financial expenses	155	72
Total	**23,424**	**20,522**

The Company does not have any financial income as at 31 December 2016 and 31 December 2015.

31. Tax assets and liabilities

Corporation Tax

As at 31 December 2016, corporation tax rate is 20% (31 December 2015: 20%).

For the Company's estimated tax liabilities related to current period activity results, necessary provisions are booked in the accompanying financial statements.

The corporation tax rate on taxable corporation income is calculated by the addition of disallowable expenses and deduction of tax exempt income. (previous years' losses and investment incentives utilized, if any).

In Turkey advance tax is calculated and accrued on quarterly basis. In the period that ended on 31 December 2016, the advance tax rate is 20% (31 December 2015: 20%). According to the Turkish tax legislation, the tax losses can be deducted from tax basis as long as they do not exceed 5 years. However tax losses cannot offset against retained earnings.

In Turkey, tax regulations do not provide a procedure for final agreement of tax assessments. The corporation tax declarations are submitted to the tax office until the evening of the 25th day of the fourth month following the end of the accounting period. Nevertheless, the authorities authorized to perform tax and audit can examine the accounting records for retrospective of five years and the tax amounts to be paid can change if any erroneous transaction is determined.

Withholding Tax

In addition to the corporation tax, withholding tax should be calculated on dividends distributed except for the ones distributed to resident corporations and Turkish branches of foreign companies. The income withholding tax was applied as 10% to all companies between the dates 24 April 2003 – 22 July 2006. This rate has been applied as 15% effective from July 22, 2006 based on the Decision of Council of Ministers no. 2006/10731. The dividends not distributed and added to capital are exempt from withholding tax.

For the investment incentive amount benefited in relation to investment incentive certificates obtained before 24 April 2003, withholding tax at 19.8% should be calculated. 40% of the investment expenditures incurred after such date, without investment incentive certificate, and directly relevant with companies' production activities can be deducted from the taxable income. No accrual is made for investment expenditures benefited without investment incentive certificates.

The Company is obliged to accrue an Income Tax Withholding at a ratio of 19.8% as a result of using investment allowance belonging to previous period before 24 April 2003. Income tax withholding of the Company calculated based on investment allocation amounting to TL 4,314 used for previous period before 24 April 2003 is TL 854 as at 31 December 2016 and final amount payable shall be the tax amount accruing with corporate tax declaration.

Investment Incentives

The Provisional article 69 was added to the Income Tax Law no. 193 with the Law no. 5479 that came into force as at the date of 1 January 2006, and that was published on the official gazette on 8 April 2006, no. 26133. This article sets forth that the taxpayers can deduct their investment incentive amounts that they will calculate only from their incomes belonging to the years 2006, 2007 and 2008 according to the legislation clauses that are in effect on 31 December 2005 (including the clauses concerning tax rate). Thus the investment discount practice was abolished as at the date of 1 January 2006.

Within this frame, the taxpayers' – who did not use all their investment incentive exception rights or some of them in the three years of time – rights were removed as at the date of 31 December 2008. On the other hand, articles 2 and 15 of the Law no. 5479 and article 19 of the Income Tax Law were abolished as at the date of 1 January 2006 therefore it was not allowed to benefit from investment incentive exception based on the investment expenditures made between the dates 1 January 2006 and 8 April 2006.

However, in accordance with the decision of Turkish Constitutional Court made in the meeting dated 15 October 2009, the abolishment decision of 1 January 2006 about the aforementioned provisional article no. 69 about investment incentive, clauses of 2006, 2007 and 2008 of the Income Tax Law, and article no. 19 was cancelled due to being unconstitutional. The time limit regarding the investment incentive has been removed as well. In accordance with the decision of the Turkish Constitutional Court, the cancellation about the investment incentive is to enter into force with its publication on the Official Gazette. Therefore the Constitutional Court decision was published on the Official Gazette on 8 January 2010, no. 27456 and entered into force.

31. Tax assets and liabilities (continued)

Investment Incentives (continued)

According to this, the investment incentive amounts that are transferred to the year 2006 due to lack of income, and the investment incentive amounts that stem from the investments that started before 2006 and continued after this date within the scope of economic and technical wholeness can be used not only in 2006, 2007 and 2008 but in the following years as well. With the new regulation, it is provided to continue to benefit from the investment incentive exception that could not be deducted and transferred to the following periods without limiting the number of years. "The Income Tax Law and the Law about the Amendments of Some Laws and Decree Laws" was published on the Official Gazette on 1 August 2010, no. 27659. With the law, it is stated that the amount that will be deducted as investment incentive exception cannot exceed 25% of the current year income. With the amendment, the principle that the corporation tax rate of the institutions to be benefited from investment discount to be the current rate 20% instead of 30% is adopted.

Constitutional Court decided – date 9 February 2012, decision no. 2012/9 (Docket No: 2010/93) – the sentence "the discount amount as the investment incentive exception in determining tax bases cannot exceed 25% of the relevant income" to be unconstitutional and to be cancelled. The aforementioned sentence was added to the article 5 of the Law no. 6009 and provisional article no. 69, sub clause no. 1 of the Income Tax Law. After the decision of the Constitutional Court, the necessary regulations were made by the Revenue Administration. According to these regulations, taxpayers can benefit from the investment incentive without considering the 25% limit in the 2011 Annual Corporation Tax Declaration they will submit.

The Company has a remaining investment allowance stock at an amount of TL 95,516 thousand, which belongs to period before 24 April 2003, as at 31 December 2016. The Company is obliged to accrue Income Tax Withholding at a ratio of 19, 8 % because of its use of investment allowance belonging to period 24 April 2003. The Income Tax Withholding amount of the Company, calculated based on Investment allowance at an amount of TL 4,314 thousand belonging to period before 24 April 2003, is TL 854 thousand as at 31 December 2016 and the final payment amount shall be the amount accrued through Corporate Tax Declaration.

As at 31 December 2016, income tax withholding liability calculated based on investment allowance is amounting to 854 TL, prepaid tax is amounting TL 55 is netted off with the income tax withholding liability. Remaining income tax withholding liability is amounting to TL 799.

Articles of Income Tax Law related to Investment Allowance have been amended with the Law numbered 4842 and dated 9 April 2003 and it is mentioned that investment allowance exemption shall be 40% of the investment which is made in scope of criteria included in the Law for the acquisition of investment goods. Income tax withholding is not applied in Investment Allowance Exemptions benefited in accordance with the aforementioned provision. The Company has used an investment allowance in scope of Law numbered 4842, the investment incentive allowance of the Company has ended within the scope of the Law numbered 4842.

As at 31 December 2016, the Group will be able to use the unused investment discount that amounts to TL 95,516 (31 December 2015: TL 96,149) by deducting from the future income.

Transfer Pricing

In Turkey, transfer pricing regulations are indicated in the article 13 – titled "hidden income distribution via transfer pricing" – of the Corporation Tax Law. The notification dated 18 November 2007 regarding hidden income distribution via transfer pricing regulates the details about the practice.

If the taxpayer purchases goods or services from/to its related parties at a value or price that is considered to be non arm's length, then such income is regarded fully or partially distributed in a hidden way via transfer pricing. Hidden income distribution via this kind of transfer pricing is considered non-deductable expense for corporation tax base. Buying, selling, production and construction transactions, renting and subletting transactions, borrowing and lending money, transactions that require payments like premium, wage, etc. are considered buying or selling goods or services under all circumstances.

Companies are obliged to fill out the transfer pricing form that is attached to the annual corporation tax declaration. In this form, all the amounts belonging to the transactions performed with the related companies in the accounting period and the transfer pricing methods relating to these transactions are indicated.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31. Tax assets and liabilities (continued)

The tax provisions for the year ended as at 31 December 2016 and year end as at 31 December 2015 consist of the following;

Current period income tax	1 January-31 December 2016	1 January-31 December 2015
Current period corporation tax	2,534	-
Deferred tax income/(expenses)	67	1,545
Total tax income/(expenses)	**2,601**	**1,545**

As at 31 December 2016 and 31 December 2015, the provision for income tax in the statement of profit or loss is different from the amount computed by applying the statutory tax rate of income before tax:

	1 January-31 December 2016	1 January-31 December 2015
Profit/loss before the reported tax	(30,946)	(16,763)
Tax calculated based on the reported profit/loss	6,189	3,352
Amount of disallowable expenses	(125)	(44)
Amount of tax exempt income	344	515
Subsidiary tax effect (*)	(3,870)	(2,497)
Investment incentive	-	212
Other	63	7
Tax income/(expense)	**2,601**	**1,545**

(*) The Company's subsidiaries are exempt from tax according to the laws of the country they are registered.

The Company calculates deffered tax assets and liabilities arising from the effecs of the evaluation differences between CMB and Tax Procedure Law (TPL).

As at 31 December 2016 and 31 December 2015, the list of temporary differences and related deferred tax assets and liabilities by using current tax rates are as follows;

	31 December 2016	31 December 2015
Provision for doubtful receivables	395	343
Employee termination benefits and other employee rights	132	109
Financial asset revaluation fund	-	72
Deferred tax asset	**527**	**524**
Deferred tax liability	**-**	**-**
Deferred tax asset, net	**527**	**524**

As at 31 December 2016 and 31 December 2015, deferred tax asset movement is as follows;

	31 December 2016	31 December 2015
Opening balance	524	3,655
Deferred tax income/(expense) that is recognized in profit or loss	67	1,545
Deferred tax that is recognized in shareholders' equity	(64)	(4,676)
Balance at the end of period	**527**	**524**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

32. Earnings per share

Earnings per share calculation for the years ended 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Net loss for the period	(28,345)	(15,218)
Weighted average number of ordinary shares(*)	51,041	51,179
Basic earnings/(loss) expressed in 1 TL per share	**(0.555)**	**(0.297)**

(*) Within the scope of merger, the repuchased shares of GSD Denizcilik Gayrimenkul İnşaat San. ve Tic. A.Ş. with a nominal value of TL 2,016 and with a shareholding ratio of 3.863% have been sold on BIST to GSD Holding A.Ş. with a price of 1,38 for each share having a nominal value of TL with a total cash price of 2,782 TL as of 2 July 2015 value date.

By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. The Company has repurchased TL 2,815 nominal value of C group shares amounting to TL 2,601 as of report date.

33. The nature and level of the risks that stem from financial instruments

33.1 Financial risk management purposes and policies

The Group Companies are exposed to various risks during their activities:

- Credit Risk
- Liquidity Risk
- Market Risk

This note is disclosed to give information about the targets, policies and processes in the risk management of the Group companies in case the Group companies are exposed to the aforementioned risks.

The Board of Directors of the Group companies is generally responsible for the establishment and supervision of the risk management frame of the companies.

The risk management policies of the Group companies are formed to determine and analyze the risks that the companies can be exposed to. The purpose of the risk management policies is to form the appropriate risk limit controls, to supervise risks and to adhere to the limits. The Company creates a disciplined and constructive control environment and helps all the employees understand their roles and responsibilities via various training and management standards and processes.

33.1.1 Credit risk

The Group is exposed to credit risk because of its dry cargo transportation. Credit risk is the risk that one party in a mutual relationship suffers a financial loss as a result of the other party not fulfilling his/her commitment regarding a financial instrument. The Company tries to manage credit risk by limiting the transactions made with certain parties and evaluating continuously the trustworthiness of the parties.

Credit risk concentration is about certain companies operating in similar lines of business or being located in the same geographical region. This concentration is also about changes – that can occur under economic, political and similar other conditions – affecting the commitments of these companies that stem from contracts. Credit risk concentration reveals the Company's sensitivity about its performance of being effective to a certain branch of industry or geographical region.

The Group tries to manage its credit risk by working with International companies which are specialized in their sectors and by doing business in terms of International law.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

33.1.2 Liquidity risk

Liquidity risk come in sight during the funding of the Group companies' activities. This risk includes both the risk of not being able to fund the Group companies' assets in appropriate maturities and dates and the risk of not being able to liquidate an asset with a reasonable price and in an appropriate timeframe. The Group fulfills its funding needs through banks. The Company continuously evaluates liquidity risk by determining the changes and watching the course of these changes in the fund resources that are necessary to reach the company targets.

33.1.3 Market Risk

The Group protects itself with respect to changing market conditions by using instruments of purchase and sale. The market risk is managed by purchase and sale of derivative financial instruments, within the limits determined by the Company management, and by getting preventive positions.

(i) Foreign currency risk

The Group carries the foreign currency risk due to the transactions conducted in foreign currencies (such as leasing transactions, marine operations, investment activities and bank credits). Since the financial statements of the Group are prepared based on Turkish Lira, the mentioned financial statements are affected by the floating of the foreign currencies with respect to Turkish Lira.

(ii) Interest rate risk

The activities of the Group companies are exposed to the risk of changes in interest rates when its receivables and loans on interest are redeemed or reprised on different times or amounts. Furthermore, the Group, in case it has loans involving flexible interest rates such as Libor or Eurolibor rates, may also be exposed to the risk of interest rate due to the reprising thereof. The risk management activities aim to optimize the net interest income if the market interest rates in compliance with the basic strategies of the Company are considered.

Sensitivity of the assets, liabilities and off-balance sheet items to interest is evaluated daily and monthly by the Company Management while also taking the developments in the market into account.

Standard method, value exposed to the risk (RMD - Method of Historical Analogy) and methods of Active-Passive risk measurement are used while measuring the risk of interest rate endured by the Group.

Measurements within the context of standard method are conducted on monthly bases via maturity ladder and those within the context of RMD measurements are conducted on daily bases. Active passive measurement model is also conducted on daily basis.

During RMD calculations conducted on daily basis, interest rate risks of securities of Turkish Lira and foreign currency in the portfolio of the Company which are allocated for sale-purchase and ready for sale and off-balance sheet positions are measured. Mentioned calculations are supported with scenario analyses and stress testings.

33.2 Disclosures related to financial risk management

33.2.1 Credit risk

Sectoral distribution of the receivables originating from finance sector activities is as follows;

	31 December 2016	%	31 December 2015	%
Textile	168	100	114	100
Total	**168**	**100**	**114**	**100**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

As at 31 December 2016 and 31 December 2015, the assets of the Company which are qualified as credits exposed to credit risk are as in the following chart;

	Receivables originating from finance sector activities		Trade and other receivables		
31 December 2016	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Deposit in the banks**
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	**-**	**168**	**-**	**3,190**	**17,320**
A. Net book value of the financial assets which are undue and have not been impaired	-	-	-	3,190	17,320
B. Net book value of the financial assets conditions of which have been re-negotiated and which will otherwise be considered as due or impaired	-	-	-	-	-
C. Net book value of the assets which are due but have not been impaired	-	168	-	-	-
- portion guaranteed by securities etc.	-	168	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	2,870	-	1,980	-
- Impairment (-)	-	(2,870)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

	Receivables originating from finance sector activities		Trade and other receivables		
31 December 2015	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Deposit in the banks**
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	**-**	**114**	**-**	**2,661**	**14,705**
A. Net book value of the financial assets which are undue and have not been impaired	-	22	-	2,661	14,705
B. Net book value of the financial assets conditions of which have been re-negotiated and which will otherwise be considered as due or impaired	-	-	-	-	-
C. Net booked value of the assets which are due but have not been impaired	-	92	-	-	-
- portion guaranteed by securities etc.	-	92	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	2,651	-	1,980	-
- Impairment (-)	-	(2,651)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

33.2.2 Liquidity risk

The chart below provides the maturity analysis of the financial liabilities of the Group companies based on the remaining maturities as at balance sheet date. The amounts indicated in the chart represent undiscounted amounts based on contracts:

31 December 2016

Due Dates In Relation to the Contract	Carrying value	Sum of cash outflow in relation to the contract	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Non-derivative Financial Liabilities	**263,062**	**(289,150)**	**(20,353)**	**(110,442)**	**(146,202)**	**(12,153)**
Bank loans	262,256	(288,344)	(19,547)	(110,442)	(146,202)	(12,153)
Payables from finance sector activities	279	(279)	(279)	-	-	-
Trade payables	415	(415)	(415)	-	-	-
Other payables	112	(112)	(112)	-	-	-

Due Dates In Relation to the Contract	Carrying value	Sum of cash outflow in relation to the contract	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Derivative Financial Instruments	**-**	**-**	**-**	**-**	**-**	**-**
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

31 December 2015

Due Dates In Relation to the Contract	Carrying value	Total cash outflow in relation to the contract	Up to 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Non-derivative Financial Liabilities	**199,506**	**(226,870)**	**(5,626)**	**(24,826)**	**(133,058)**	**(63,360)**
Bank loans	198,370	(225,734)	(4,490)	(24,826)	(133,058)	(63,360)
Payables from finance sector activities	504	(504)	(504)	-	-	-
Trade payables	446	(446)	(446)	-	-	-
Other payables	186	(186)	(186)	-	-	-

Due Dates In Relation to the Contract	Carrying value	Total cash outflow in relation to the contract	Up to 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Derivative Financial Instruments	**-**	**-**	**-**	**-**	**-**	**-**
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

33.2.3 Market risk

Interest rate risk

The Company is exposed to the interest rate risk due to the effect of the changes in interest rates on assets yielding interest. The mentioned risk of interest rate is managed by making use of liquid assets as short term investment.

Interest rate position table			
Financial instruments with fixed interest		**31 December 2016**	**31 December 2015**
	Finance lease receivables	168	114
	Time deposits	17,319	12,365
	Bank loans	105,655	64,235
Financial instruments with floating interest			
	Bank loans	156,601	134,135

Interest rate risk sensitivity analysis

If the interest rates of the financial instruments with floating interest, on the renewal dates were 100 base points higher/lower and all other variables were to remain stable, the net profit for the year would be TL 50 higher/lower on 31 December 2016 (31 December 2015: 62).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

Foreign currency risk

Foreign currency risk is the risk arising from the change in the value of a financial instrument depending on the changes in foreign exchange rate. The Company is exposed to the risk of currency due to the changes in exchange rates while converting its foreign currency assets to Turkish Liras. Risks of currency are managed by the using of foreign currency liquid assets as short term investment.

The chart below summarizes the foreign currency position risk of the Group in detail as at the dates of 31 Decemer 2016 and 31 December 2015. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

	Foreign currency position chart							
	31 December 2016 2016				**31 December 2015**			
	Total TL Equivalent	**USD (in Turkish Liras)**	**Euro (in Turkish Liras)**	**Other (in Turkish Liras)**	**Total TL Equivalent**	**USD (in Turkish Liras)**	**Euro (in Turkish Liras)**	**Other (in Turkish Liras)**
1. Trade Receivables	3,017	3,017	-	-	2,479	2,479	-	-
2a. Monetary financial assets (including cash and bank accounts)	17,114	17,071	43	-	9,471	9,245	226	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-
3. Other	1,548	1,548	-	-	2,256	2,256	-	-
4. Current assets (1+2+3)	**21,679**	**21,636**	**43**	**-**	**14,206**	**13,980**	**226**	**-**
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-
7. Other	337,469	337,469	-	-	270,546	270,546	-	-
8. Non-current assets (5+6+7)	**337,469**	**337,469**	**-**	**-**	**270,546**	**270,546**	**-**	**-**
9. Total assets (4+8)	**359,148**	**359,105**	**43**	**-**	**284,752**	**284,526**	**226**	**-**
10. Trade payables	184	184	-	-	161	161	-	-
11. Financial liabilities	120,907	120,811	96	-	24,404	24,267	137	-
12a. Other (Monetary)	-	-	-	-	-	-	-	-
12b. Other (Non monetary)	961	961	-	-	398	398	-	-
13. Short-term liabilities(10+11+12)	**122,052**	**121,956**	**96**	**-**	**24,963**	**24,826**	**137**	**-**
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	141,508	141,508	-	-	174,225	174,225	-	-
16 a. Other (Monetary)	-	-	-	-	-	-	-	-
16 b. Other (Non monetary)	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	**141,508**	**141,508**	**-**	**-**	**174,225**	**174,225**	**-**	**-**
18. Total liabilities (13+17)	**263,560**	**263,464**	**96**	**-**	**199,188**	**199,051**	**137**	**-**
19. Net Asset/(Liability) Position of the Off-Balance Sheet Foreign Currency Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19b. Sum of the Off-Balance Sheet Foreign Currency Derivative Products with Passive Character	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**95,588**	**95,641**	**(53)**	**-**	**85,564**	**85,475**	**89**	**-**
21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(242,468)**	**(242,415)**	**(53)**	**-**	**(186,840)**	**(186,929)**	**89**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

In case, Turkish Lira depreciates by 10% against foreign currencies, its impact on the equity and profit before tax is disclosed below. This analysis is prepared with the assumption that all other variables, especially the interest rates, remain stable:

Foreign Exchange Rate Sensitivity Analysis Table

31 December 2016	**Profit/(Loss)**		**Equity**	
	Foreign currency appreciates	**Foreign currency depreciates**	**Foreign currency appreciates**	**Foreign currency depreciates**
Change of USD by 10% against TL:				
1. USD net asset/liability	(5,922)	5,922	17,094	(17,094)
2. Secured portion from USD risk (-)	-	-	-	-
Change of EUR by 10% against TL:				
3. Euro net asset/liability	(5)	5	-	-
4. Secured portion from EUR risk (-)	-	-	-	-
Change of other currencies by 10% against TL:				
5.Other currencies net asset/liability	-	-	-	-
6. Secured portion from other currencies risk(-)	-	-	-	-

Foreign Exchange Rate Sensitivity Analysis Table

31 December 2015	**Profit/(Loss)**		**Equity**	
	Foreign currency appreciates	**Foreign currency depreciates**	**Foreign currency appreciates**	**Foreign currency depreciates**
Change of USD by 10% against TL:				
1. USD net asset/liability	(2,995)	2,995	12,603	(12,603)
2. Secured portion from USD risk (-)	-	-	-	-
Change of EUR by 10% against TL:				
3. Euro net asset/liability	8	(8)	-	-
4. Secured portion from EUR risk (-)	-	-	-	-
Change of other currencies by 10% against TL:				
5.Other currencies net asset/liability	-	-	-	-
6. Secured portion from other currencies risk(-)	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. The nature and level of the risks that stem from financial instruments (continued)

Other price risks:

The Group is exposed to stock price risk arising from the stock investments. Stock investments are conducted for strategic purposes rather than commercial goals. The Group does not actively purchase-sale such investments.

Equity price sensitivity

Sensitivity analyses below are determined according to stock price risks the Company is exposed to on the reporting date.

On the reporting date, in case all other variables are stable and data inputs in valuation method are increased/(decreased) by 15%:

Stock investments will not be affected in net profit/loss as long as they are not classified as assets available for sale, sold or impaired.

As at 31 December 2016, there is no change in valuation of financial asset fund in equities (31 December 2015: TL 1,623).

34. Financial Instruments

Fair value of financial instruments

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of receivables from finance sector activities as at 31 December 2016 are different from current interest rates along with the related calculated their fair values.

Financial Liabilities

The carrying values of finance sector payables, borrowings and short term trade payables are estimated to be their fair values since they are short term.

Carrying and fair values of the financial assets and liabilities which are not reflected at their fair values in the financial statements as at 31 December 2016 and 31 December 2015 are shown in the chart below:

	31 December 2016		31 December 2015	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets and liabilities				
Cash and cash equivalents	17,321	17,321	14,707	14,707
Receivables from finance sector activities	168	168	114	114
Payables from finance sector activities	279	279	504	504
Trade payables	415	415	446	446
Other payables	112	112	186	186
Borrowings	262,256	262,256	198,370	198,370

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

34. Financial instruments (continued)

Classification of the fair value measurement

The chart below discloses the valuation methods of the financial instruments reflected at their fair values. The valuation methods according to different levels are defined as follows**;**

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

The chart below discloses the financial investments carried at their fair values using the valuation method:

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets available for sale				
Share certificates	-	-	**-**	**-**
Total	**-**	**-**	**-**	**-**

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale				
Share certificates	8,220	-	**-**	**8,220**
Total	**8,220**	**-**	**-**	**8,220**

35. Subsequent events

On 27 February 2017, GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has decided to convert portions of receivables from subsidiaries amounting to USD 2,000,000 from Dodo Maritime Ltd, USD 1,500,000 from Cano Maritime Ltd., USD 800,000 from Hako Maritime Ltd. and USD 1,500,000 from Zeyno Maritime Ltd. to capital shares and to conclude contribution agreements in order use aforementioned receivables as capital in capital increases and to carry out required other business and transactions.

As a result of capital increases made on 27 February 2017, the share capitals of subsidiaries of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. have been increased as follows: Dodo Maritime Ltd; from USD 12,000,000 to USD 14,000,000; Cano Maritime Ltd; from USD 11,000,000 to USD 12,500,000; Hako Maritime Ltd; from USD 9,000,000 to USD 9,800,000 and Zeyno Maritime from USD 8,000,000 to USD 9,500,000.

36. Convenience conversion of financials

The US Dollar ("USD") amounts shown in the statement of financial position and statement of comprehensiveincome on the following pages have been included solely for the convenience of the reader.

For the current period's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 3.5192 TL/USD prevailing on 31 December 2016. For the prior year's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 2.9076 TL/USD prevailing on 31 December 2015.

Such translation should not be construed as a representation that the TL amounts have been converted into USD pursuant to the requirements of IFRSs or Generally Accepted Accounting Principles in the United States of America or in any other country.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of finacial position
As at 31 December 2016

(Amounts expressed in thousands of USD for convenience purposes only.)

	31 December 2016	31 December 2015
Assets		
Current assets	**6,485**	**9,862**
Cash and cash equivalents	4,922	5,058
Financial investments	-	2,827
- Financial assets available for sale	-	*2,827*
Trade receivables	857	853
- Due from third parties	*857*	*853*
Receivables from finance sector activities	48	39
- Due from third parties	*48*	*39*
Other receivables	49	63
- Other	*49*	*63*
Inventories (net)	262	590
Prepaid expenses	185	193
Due from third parties	*185*	*193*
Current income tax assets	-	-
Other current assets	140	142
Due from third parties	*140*	*142*
Subtotal	**6,463**	**9,765**
Assets held for sale	22	97
Non-current assets	**96,329**	**93,574**
Financial investments	273	331
Other receivables	-	-
Tangible assets	95,906	93,062
- Plants, machinery and equipment	*5*	*7*
- Vehicles	*95,894*	*93,048*
- Furnite and fixtures	*7*	*7*
Intangible assets	-	1
- Other intangible assets	-	*1*
Deferred tax assets	150	180
Total assets	**102,814**	**103,436**

(Amounts expressed in thousands of USD for convenience purposes only.)

	31 December 2016	31 December 2015
Liabilities		
Current liabilities	**35,074**	**9,438**
Short term financial borrowings	4,467	7
Due to related parties	2,606	-
- Bank loans	*2,606*	*-*
Due to third parties	1,861	7
- Bank loans	*1,861*	*7*
Short term portion of long term financial liabilities	29,844	8,297
Due to third parties	29,844	8,297
- Bank loans	*29,844*	*8,297*
Trade payables	118	154
- Due to related parties	*3*	*21*
- Due to third parties	*115*	*133*
Payables from finance sector activities	79	173
- Due to third parties	*79*	*173*
Other payables	32	64
- Due to third parties	*32*	*64*
Deferred income	273	137
- Due to third parties	*273*	*137*
Current income tax liabilities	227	566
Short term provisions	34	40
- Provisions for employee benefits	*34*	*40*
Non-current liabilities	**40,364**	**60,067**
Long-term financial liabilities	40,210	59,921
Due to third parties	40,210	59,921
- Bank loans	*40,210*	*59,921*
Long term provisions	154	146
- Provisions for employee benefits	*154*	*146*
Equity	**27,376**	**33,931**
Paid-in share capital	14,828	17,946
Adjustment to share capital	6,844	8,283
Repurchase of shares (-)	(739)	-
Premium on the shares/discount	(40)	(48)
Effect of merger under common control	(3,461)	(4,190)
Accumulated other comprehensive ıncome that will not be reclassified to profit or loss	(9)	(10)
- Gains/losses from the revaluation and reclassification	*(9)*	*(10)*
Accumulated other comprehensive ıncome that may be reclassified subsequently to profit or loss	19,308	13,513
- Currency translation differences	*19,308*	*13,611*
- Financial assets revaluation reserve	*-*	*(98)*
Restricted reserves	4,171	1,760
Prior years' profits/(losses)	(5,472)	1,911
Net profit for the period	(8,054)	(5,234)
Total equity and liabilities	**102,814**	**103,436**

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

(Amounts expressed in thousands of USD for convenience purposes only.)

	1 January - 31 December 2016	1 January - 31 December 2015
Continuing operations		
Marine sector revenues	9,396	10,862
Marine sector expenses (-)	(11,593)	(11,783)
Gross profit/(loss) of marine sector activities	**(2,197)**	**(921)**
Gross profit/(loss) from trading activities	**(2,197)**	**(921)**
Finance sector operating income	**49**	**11**
Foreign exchange gain	1	2
Interest income	37	9
Finance sector other operating income	11	-
Cost of finance sector activities (-)	**(139)**	**(71)**
Provision for finance operations,net,	(72)	(71)
Other finance sector operating income/(expenses), net	(67)	-
Gross profit/ (loss) from finance sector activities	**(90)**	**(60)**
Gross profit/(loss)	**(2,287)**	**(981)**
General administrative expenses (-)	(974)	(1,409)
Other operating income	915	430
Other operating expenses (-)	(294)	(216)
Operating profit/ (loss)	**(2,640)**	**(2,176)**
Income from investment activities	503	3,469
Expenses from investment activities(-)		
Share of profit of equity-accounted investees		
Operating profit/(loss) before financial expenses	**(2,137)**	**1,293**
Financial expenses (-)	(6,656)	(7,058)
Profit/ (loss) before tax from continued operations	**(8,793)**	**(5,765)**
Tax income/expenses of continued operations	739	531
- Taxation on income / (expenses)	720	-
- Deferred tax income / (expenses)	19	531
Profit/(loss) for the period	**(8,054)**	**(5,234)**
Earnings / (losses) per share	**(0.555)**	**(0.297)**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

(Amounts expressed in thousands of USD for convenience purposes only.)

	1 January - 31 December 2016	1 January - 31 December 2015
Profit / (loss) for the period	**(8,054)**	**(5,234)**
Other comprehensive income/(expenses)		
Other comprehensive income or expenses not to be reclassified to profit or loss	**(9)**	**(10)**
Gains/losses from revaluation of defined benefits	(9)	(10)
To be reclassified as profit or loss	**8,144**	**4,742**
Currency translation differences	8,063	8,030
Fair value changes on financial assets	81	(3,288)
Other comprehensive income / (expense) (net of tax)	**8,135**	**4,732**
Total comprehensive income / (expense)	**81**	**(502)**
Appropriation of total comprehensive income / (expense)	**81**	**(502)**
Non-controlling interest	**-**	**-**
Equity holders of the parent	**81**	**(502)**