

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

Consolidated Financial Statements  
As at and For the Interim Period Ended  
30 June 2018

With Independent Auditors' Report Thereon

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

17 August 2018

*This report contains "Independent Auditors'  
Review Report" comprising 2 pages and;  
"Consolidated Financial Statements and Related  
Disclosures and Footnotes" comprising 56  
pages and 4 pages of supplementary  
information.*

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

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## Auditors' Report on Review of Consolidated Interim Financial Statements

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

### *Introduction*

We have reviewed the consolidated financial statements of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi and its subsidiary (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the financial position of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. as at 30 June 2017, and its financial performance and its cash flows for the six-month period then ended in accordance with TAS 34 "Interim Financial Reporting".

*Other Matter*

Without qualifying our conclusion, we draw attention to the following:

Supplementary information included in Appendix I does not form part of the reviewed consolidated interim financial information. We have not reviewed this supplementary information and, accordingly, we do not express any conclusion or any other form of assurance on this supplementary information.

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



Orhan Akova, SMMM  
Partner

17 August 2018  
Istanbul, Turkey

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Consolidated statement of financial position (Balance sheet)****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

|   |              | <b>Reviewed</b> | <b>Audited</b>     |
|---|--------------|-----------------|--------------------|
|   |              | <b>30 June</b>  | <b>31 December</b> |
|   | <i>Notes</i> | <b>2018</b>     | <b>2017</b>        |
| <b>Assets</b>   |              |                 |                    |
| <b>Current assets</b>                                     |              |                 |                    |
|   |              | <b>47,122</b>   | <b>33,329</b>      |
| Cash and cash equivalents                                 | 3            | 35,486          | 27,634             |
| Trade receivables   | 7            | 4,590           | 3,123              |
| - <i>Due from third parties</i>                           | 7.1          | 4,590           | 3,123              |
| Receivables from finance sector activities                | 8            | 23              | 21                 |
| - <i>Due from third parties</i>                           | 8.1          | 23              | 21                 |
| Other receivables (net)                                   | 9            | 4,217           | 2                  |
| - <i>Due from related parties</i>                         | 6            | 4,215           | -                  |
| - <i>Due from third parties</i>                           | 9.1          | 2               | 2                  |
| Inventories (net)   | 10           | 777             | 970                |
| Prepaid expenses  | 11           | 1,185           | 900                |
| - <i>Due from third parties</i>                           |              | 1,185           | 900                |
| Current income tax assets                                 | 12           | 15              | 5                  |
| Other current assets                                      | 22           | 753             | 598                |
| - <i>Due from related parties</i>                         | 6            | 90              | -                  |
| - <i>Due from third parties</i>                           | 22           | 663             | 598                |
| <b>Subtotal</b>   |              | <b>47,046</b>   | <b>33,253</b>      |
| Assets held for sale                                      | 13           | 76              | 76                 |
| <b>Non-current assets</b>                                 |              |                 |                    |
|   |              | <b>318,768</b>  | <b>348,244</b>     |
| Investment in associates, joint ventures and subsidiaries | 5            | 962             | 962                |
| Tangible assets   | 14           | 316,000         | 346,102            |
| - <i>Vehicles</i>   |              | 315,962         | 346,072            |
| - <i>Furnitures and fixtures</i>                          |              | 38              | 30                 |
| Deferred tax assets                                       | 31           | 1,806           | 1,180              |
| <b>Total assets</b>                                       |              |                 |                    |
|   |              | <b>365,890</b>  | <b>381,573</b>     |

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

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

**Consolidated statement of financial position (Balance sheet)**

**As at 30 June 2018**

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

|  |              | <b>Reviewed</b> | <b>Audited</b>     |
|--|--------------|-----------------|--------------------|
|  | <i>Notes</i> | <b>30 June</b>  | <b>31 December</b> |
|  |              | <b>2018</b>     | <b>2017</b>        |
| <b>Liabilities</b>   |              |                 |                    |
| <b>Current liabilities</b>   |              | <b>72,805</b>   | <b>33,140</b>      |
| Short-term financial borrowings  | 16           | 4,612           | 8,146              |
| Due to related parties   | 6            | 4,612           | -                  |
| - Bank loans   | 16.2         | 4,612           | -                  |
| Due to third parties   | 16.2         | -               | 8,146              |
| - Bank loans   |              | -               | 8,146              |
| Short-term portion of long-term financial liabilities  | 16           | 65,701          | 23,080             |
| Due to third parties   | 16.2         | 65,701          | 23,080             |
| - Bank loans   | 16.2         | 65,701          | 23,080             |
| Trade payables   | 7            | 1,272           | 686                |
| - Due to related parties   | 6            | 22              | 12                 |
| - Due to third parties   | 7.2          | 1,250           | 674                |
| Payables from finance sector activities  | 8            | 47              | 94                 |
| - Due to third parties   | 8.2          | 47              | 94                 |
| Other payables   | 9            | 132             | 140                |
| - Due to third parties   | 9.2          | 132             | 140                |
| Deferred income  | 20           | 951             | 834                |
| - Due to third parties   |              | 951             | 834                |
| Current income tax liabilities   | 31           | -               | -                  |
| Short-term provisions  | 21           | 90              | 160                |
| - Provisions for employee benefits   | 21.1         | 90              | 160                |
| <b>Non-current liabilities</b>   |              | <b>185,168</b>  | <b>256,224</b>     |
| Long-term financial liabilities  | 16           | 184,556         | 255,615            |
| Due to related parties   | 6            | 23,635          | 28,310             |
| - Bank loans   | 16.2         | 23,635          | 28,310             |
| Due to third parties   | 16.2         | 160,921         | 227,305            |
| - Bank loans   | 16.2         | 160,921         | 227,305            |
| Long-term provisions   | 21           | 612             | 609                |
| - Provisions for employee benefits   | 21.2         | 612             | 609                |
| <b>Equity</b>  |              | <b>107,917</b>  | <b>92,209</b>      |
| 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)         | (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 income that will never be reclassified to profit or loss       | 23.6         | (2)             | (25)               |
| - Gains/losses from the revaluation and reclassification                                       |              | (2)             | (25)               |
| Accumulated other comprehensive income that may be reclassified subsequently to profit or loss | 23.7         | 96,704          | 79,382             |
| - Currency translation differences   |              | 96,704          | 79,382             |
| Restricted reserves  | 23.8         | 18,536          | 18,536             |
| Prior years' profits/(losses)  | 23.9         | (67,053)        | (51,489)           |
| Net profit / (loss) for the period   |              | (1,612)         | (15,539)           |
| <b>Total equity and liabilities</b>  |              | <b>365,890</b>  | <b>381,573</b>     |

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 interim period ended 30 June 2018**

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

|   |       | Reviewed       | Not reviewed  | Reviewed       | Not reviewed   |
|---|-------|----------------|---------------|----------------|----------------|
|   |       | 1 January-     | 1 April-      | 1 January-     | 1 April-       |
|   |       | 30 June        | 30 June       | 30 June        | 30 June        |
|   | Notes | 2018           | 2018          | 2017           | 2017           |
| <b>Continuing operations</b>                                      |       |                |               |                |                |
| Marine sector revenues  | 24    | 35,388         | 18,093        | 27,103         | 13,632         |
| Marine sector expenses (-)  | 24    | (28,673)       | (14,428)      | (25,575)       | (12,985)       |
| <b>Gross profit/(loss) of marine sector activities</b>            |       | <b>6,715</b>   | <b>3,665</b>  | <b>1,528</b>   | <b>647</b>     |
| <b>Gross profit/(loss) from trading activities</b>                |       | <b>6,715</b>   | <b>3,665</b>  | <b>1,528</b>   | <b>647</b>     |
| <b>Finance sector operating income</b>                            |       | <b>26</b>      | <b>14</b>     | <b>9</b>       | <b>2</b>       |
| Foreign exchange gain   | 25    | 1              | -             | 2              | 1              |
| Interest income   | 25    | 24             | 14            | 7              | 1              |
| Reversal of provision for finance operations                      | 25    | 1              | -             | -              | -              |
| <b>Cost of finance sector activities (-)</b>                      |       | <b>(360)</b>   | <b>(229)</b>  | <b>(82)</b>    | <b>(5)</b>     |
| Other finance sector operating income/(expenses), net             | 25    | (360)          | (229)         | (82)           | (5)            |
| <b>Gross profit/ (loss) from finance sector activities</b>        |       | <b>(334)</b>   | <b>(215)</b>  | <b>(73)</b>    | <b>(3)</b>     |
| <b>Gross profit/(loss)</b>  |       | <b>6,381</b>   | <b>3,450</b>  | <b>1,455</b>   | <b>644</b>     |
| General administrative expenses (-)                               | 26    | (2,532)        | (1,373)       | (2,182)        | (1,215)        |
| Other operating income  | 27    | 951            | 589           | 1,160          | 231            |
| Other operating expenses (-)                                      | 28    | (455)          | (431)         | (628)          | (145)          |
| <b>Operating profit/ (loss)</b>                                   |       | <b>4,345</b>   | <b>2,235</b>  | <b>(195)</b>   | <b>(485)</b>   |
| Income from investment activities                                 | 29    | 15,028         | 14,968        | -              | -              |
| Expenses from investment activities (-)                           | 29    | (726)          | (726)         | -              | -              |
| <b>Operating profit/(loss) before financial income (expenses)</b> |       | <b>18,647</b>  | <b>16,477</b> | <b>(195)</b>   | <b>(485)</b>   |
| Financial expenses (-)  | 30    | (23,799)       | (16,711)      | (7,118)        | (195)          |
| <b>Profit/ (loss) before tax from continued operations</b>        |       | <b>(5,152)</b> | <b>(234)</b>  | <b>(7,313)</b> | <b>(680)</b>   |
| <b>Tax income/(expenses) of continued operations</b>              |       | <b>3,540</b>   | <b>2,724</b>  | <b>270</b>     | <b>(382)</b>   |
| - Taxation on income / (expenses)                                 | 31    | 2,914          | 2,291         | 32             | (596)          |
| - Deferred tax income / (expenses)                                | 31    | 626            | 433           | 238            | 214            |
| <b>Profit/(loss) for the period</b>                               |       | <b>(1,612)</b> | <b>2,490</b>  | <b>(7,043)</b> | <b>(1,062)</b> |
| <b>Earnings / (losses) per share</b>                              | 32    | <b>(0.033)</b> | <b>0.050</b>  | <b>(0.143)</b> | <b>(0.022)</b> |

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 and other comprehensive income**  
**For the interim period ended 30 June 2018**

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

|   |       | Reviewed                      | Not reviewed                | Reviewed                      | Not reviewed                |
|---|-------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|   |       | 1 January-<br>30 June<br>2018 | 1 April-<br>30 June<br>2018 | 1 January-<br>30 June<br>2017 | 1 April-<br>30 June<br>2017 |
|   | Notes |                               |                             |                               |                             |
| <b>Profit / (loss) for the period</b>   |       | <b>(1,612)</b>                | <b>2,490</b>                | <b>(7,043)</b>                | <b>(1,062)</b>              |
| <b>Other comprehensive income/(expenses)</b>  |       |                               |                             |                               |                             |
| <b><u>Other comprehensive income or expenses not to be reclassified to profit or loss</u></b> |       |                               |                             |                               |                             |
| Gains/losses from revaluation of defined benefits   |       | (2)                           | -                           | (34)                          | (25)                        |
|   |       | (2)                           | -                           | (34)                          | (25)                        |
| <b><u>To be reclassified as profit or loss</u></b>  |       | <b>17,322</b>                 | <b>10,364</b>               | <b>(607)</b>                  | <b>(5,972)</b>              |
| Currency translation differences  | 23    | 17,322                        | 10,364                      | (607)                         | (5,972)                     |
| <b>Other comprehensive income / (expense) (net of tax)</b>                                    |       | <b>17,320</b>                 | <b>10,364</b>               | <b>(641)</b>                  | <b>(5,997)</b>              |
| <b>Total comprehensive income / (expense)</b>   |       | <b>15,708</b>                 | <b>12,854</b>               | <b>(7,684)</b>                | <b>(7,059)</b>              |
| <b>Appropriation of total comprehensive income / (expense)</b>                                |       | <b>15,708</b>                 | <b>12,854</b>               | <b>(7,684)</b>                | <b>(7,059)</b>              |
| <b>Non-controlling interest</b>   |       | -                             | -                           | -                             | -                           |
| <b>Equity holders of the parent</b>   |       | <b>15,708</b>                 | <b>12,854</b>               | <b>(7,684)</b>                | <b>(7,059)</b>              |

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



**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**  
**Consolidated statement of changes in equity**  
**For the interim period ended 30 June 2018**

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

|  | Notes | share capital | Paid-in 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 | 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  |                               | Equity attributable to equity holders of the parent | Non-controlling interest | Total equity |                           |
|--|-------|---------------|-----------------|-----------------------------|----------------------|---|--------------------------|--|---|---|---|-----------------------|--|---------------------|---------------------|-------------------------------|---|--------------------------|--------------|---------------------------|
|  |       |               |                 |                             |                      |   |                          |  |   | Gains/losses from the revaluation and reclassification                          | 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 |
| <b>Prior period</b>  |       |               |                 |                             |                      |   |                          |  |   |   |   |                       |  |                     |                     |                               |   |                          |              |                           |
| <b>1 January 2017</b>  | 23    | 52,181        | 24,085          | (2,601)                     | -                    | (140)                                     | -                        | (12,181)                                     | (31)                                      | -   | 67,949  | -                     | -  | -                   | 14,679              | (19,256)                      | (28,345)  | 96,340                   | -            | 96,340                    |
| <b>Transfers</b>   |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | 3,857               | (32,202)                      | 28,345  | -                        | -            | -                         |
| Transfers to prior years' profits/(losses)                   |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | 3,857               | (32,202)                      | 28,345  | -                        | -            | -                         |
| <b>Total comprehensive income</b>                            |       | -             | -               | -                           | -                    | -   | -                        | -  | (3)                                       | -   | 607   | -                     | -  | -                   | -                   | (31)                          | (7,043)   | (7,684)                  | -            | (7,684)                   |
| Net loss for the period                                      |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | (7,043)   | (7,043)                  | -            | (7,043)                   |
| Other comprehensive income/(expense)                         |       | -             | -               | -                           | -                    | -   | -                        | -  | 3   | -   | 607   | -                     | -  | -                   | -                   | (31)                          | -   | (641)                    | -            | (641)                     |
| <b>Transactions with shareholders accounted under equity</b> |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| Capital increase and share changes due to merger             |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| The increase / decrease due to repurchase of shares          |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| <b>Balance as at 30 June 2017</b>                            | 23    | 52,181        | 24,085          | (2,601)                     | -                    | (140)                                     | -                        | (12,181)                                     | (34)                                      | -   | 67,342  | -                     | -  | -                   | 18,536              | (51,489)                      | (7,043)   | 88,656                   | -            | 88,656                    |
| <b>Current period</b>  |       |               |                 |                             |                      |   |                          |  |   |   |   |                       |  |                     |                     |                               |   |                          |              |                           |
| <b>1 January 2018</b>  | 23    | 52,181        | 24,085          | (2,601)                     | -                    | (140)                                     | -                        | (12,181)                                     | (25)                                      | -   | 79,382  | -                     | -  | -                   | 18,536              | (51,489)                      | (15,539)  | 92,209                   | -            | 92,209                    |
| <b>Transfers</b>   |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | (15,539)                      | 15,539  | -                        | -            | -                         |
| Transfers to prior years' profits/(losses)                   |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | (15,539)                      | 15,539  | -                        | -            | -                         |
| <b>Total comprehensive income</b>                            |       | -             | -               | -                           | -                    | -   | -                        | -  | 23  | -   | 17,322  | -                     | -  | -                   | -                   | (25)                          | (1,612)   | 15,708                   | -            | 15,708                    |
| Net loss for the period                                      |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | (1,612)   | (1,612)                  | -            | (1,612)                   |
| Other comprehensive income/(expense)                         |       | -             | -               | -                           | -                    | -   | -                        | -  | 23  | -   | 17,322  | -                     | -  | -                   | -                   | (25)                          | -   | 17,320                   | -            | 17,320                    |
| <b>Transactions with shareholders accounted under equity</b> |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| Capital increase and share changes due to merger             |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| The increase / decrease due to repurchase of shares          |       | -             | -               | -                           | -                    | -   | -                        | -  | -   | -   | -   | -                     | -  | -                   | -                   | -                             | -   | -                        | -            | -                         |
| <b>Balance as at 30 June 2018</b>                            | 23    | 52,181        | 24,085          | (2,601)                     | -                    | (140)                                     | -                        | (12,181)                                     | (2)                                       | -   | 96,704  | -                     | -  | -                   | 18,536              | (67,053)                      | (1,612)   | 107,917                  | -            | 107,917                   |

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 interim period ended 30 June 2018**

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

|   |        | Reviewed                    | Restated<br>Reviewed <sup>(*)</sup> |
|---|--------|-----------------------------|-------------------------------------|
|   | Notes  | 1 January -<br>30 June 2018 | 1 January -<br>30 June 2017         |
| <b>Cash Flows (Indirect method)</b>   |        |                             |                                     |
| <b>Cash flow from operating activities</b>  |        | <b>12,422</b>               | <b>14,085</b>                       |
| <b>Profit / (loss) for the period</b>   |        | <b>(1,612)</b>              | <b>(7,043)</b>                      |
| Profit / (loss) from continuing operations  |        | (1,612)                     | (7,043)                             |
| <b>Adjustments related with the reconciliation of net profit (loss) for the period:</b>                                   |        | <b>282</b>                  | <b>16,231</b>                       |
| Depreciation and amortization   | 14,15  | 10,238                      | 8,776                               |
| Provisions  |        | 176                         | 110                                 |
| <i>Provisions for employee benefits</i>   |        | 177                         | 110                                 |
| <i>Other provisions</i>   |        | (1)                         | -                                   |
| Interest expenses and income  |        | 8,259                       | 7,008                               |
| <i>Interest income</i>  |        | (79)                        | (107)                               |
| <i>Interest expenses</i>  |        | 8,338                       | 7,115                               |
| Unrealized foreign currency translation differences   |        | (14,851)                    | 607                                 |
| Tax (income)/expenses   |        | (3,540)                     | (270)                               |
| <b>Realized changes in working capital</b>  |        | <b>14,566</b>               | <b>6,237</b>                        |
| Changes in financial investments  |        | -                           | -                                   |
| Adjustments related to changes in trade receivables   |        | (1,467)                     | 240                                 |
| <i>Changes in trade receivables</i>   |        | (1,467)                     | 240                                 |
| Changes in receivables from financial activities  |        | (2)                         | 147                                 |
| Adjustments related to changes in other receivables related to operations   |        | (4,215)                     | 36                                  |
| <i>Changes in due from related parties</i>  |        | (4,215)                     | -                                   |
| <i>Changes in other receivables</i>   |        | -                           | 36                                  |
| Adjustments related to changes in inventories   | 10     | 193                         | 88                                  |
| Changes in prepaid expenses   | 11     | (285)                       | (372)                               |
| <i>Adjustments related to changes in trade payables</i>   |        | 586                         | 499                                 |
| <i>Changes in due to related parties</i>  |        | 10                          | 1                                   |
| <i>Changes in other trade payables</i>  |        | 576                         | 498                                 |
| Change in finance sector payables   |        | (47)                        | (190)                               |
| Adjustments related to the changes in other payables related to operations  |        | (8)                         | 9                                   |
| <i>Changes in other payables related to operations</i>  |        | (8)                         | 9                                   |
| Changes in deferred income  |        | 117                         | (131)                               |
| Adjustments related to other changes in working capital   |        | 19,694                      | 5,911                               |
| <i>Changes in other assets related to operations</i>  |        | 26,838                      | (255)                               |
| <i>Changes in other liabilities related to operations</i>   |        | (7,144)                     | 6,166                               |
| <b>Cash flows derived from operating activities</b>   |        | <b>13,236</b>               | <b>15,425</b>                       |
| Interest received   |        | 79                          | 107                                 |
| Employee benefits paid  |        | (244)                       | (120)                               |
| Tax paid  |        | (649)                       | (1,327)                             |
| <b>Cash flows from investing activities</b>   |        | <b>22,631</b>               | <b>-</b>                            |
| Proceeds from disposal of shares of subsidiaries with loss of control   |        | 27,106                      | -                                   |
| Purchase of tangible assets   |        | (4,535)                     | -                                   |
| Dividends received  | 29     | 60                          | -                                   |
| <b>Cash flow from financing activities</b>  |        | <b>(32,576)</b>             | <b>(9,823)</b>                      |
| Cash inflows from borrowings  |        | 7,821                       | 50,586                              |
| <i>Cash inflows from bank loans</i>   |        | 7,821                       | 50,586                              |
| Cash outflows from payment of financial borrowings  |        | (31,669)                    | (52,703)                            |
| <i>Cash outflows repayments of bank loans</i>   |        | (31,669)                    | (52,703)                            |
| Interest paid   |        | (8,728)                     | (7,706)                             |
| <b>Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences</b> |        | <b>2,477</b>                | <b>4,262</b>                        |
| Effect of change in foreign exchange rate on cash and cash equivalents  |        | 6,124                       | (74)                                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |        | <b>8,601</b>                | <b>4,188</b>                        |
| <b>Cash and cash equivalents at 1 January</b>   |        | <b>25,740</b>               | <b>15,550</b>                       |
| <b>Cash and cash equivalents at 30 June</b>   | 2.5(p) | <b>34,341</b>               | <b>19,738</b>                       |

(\*) Refer to Note 2.1.4.

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

# GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

## Notes to the consolidated financial statements

As at 30 June 2018

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

### 1. Organization and operations of the Group

GSD Denizcilik, Gayrimenkul, İnşaat Sanayi ve Ticaret Anonim Şirketi (“the Company”) was established as a GSD Group Company in 1992. As at 31 December 2017, 16.65 % of certain shares of the Company are listed on Borsa İstanbul (BIST) 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 would 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 four dry bulk cargo ships, each of them is owned by one of its subsidiaries which were established by the Company with 100% share. Zeyno Maritime Limited was consolidated until 6 June 2018. On 6 June 2018, Zeyno owned by the Company transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno as subsidiary.

The address of the Company's registered office is Aydınevler Mahallesi, Kaptan Rıfat Sokak, No: 3 Küçükyalı-34854 Maltepe-İstanbul. As at 30 June 2018 the Company has 10 employees (31 December 2017: 10).

As at 30 June 2018 and 31 December 2017 information about shareholders and their percentages are as follows:

|   | 30 June 2018  |               | 31 December 2017 |               |
|---|---------------|---------------|------------------|---------------|
|   | Amount        | %             | Amount           | %             |
| GSD Holding A.Ş. (“GSD Holding”)                                | 40,679        | 77.96         | 40,679           | 77.96         |
| Listed  | 8,686         | 16.65         | 8,686            | 16.65         |
| GSD Denizcilik Gayr.İnş.San Ve Tic.A.Ş.<br>(Repurchased shares) | 2,815         | 5.39          | 2,815            | 5.39          |
| Other   | 1             | -             | 1                | -             |
| <b>Historical amount</b>  | <b>52,181</b> | <b>100.00</b> | <b>52,181</b>    | <b>100.00</b> |
| Share capital inflation adjustment differences                  | 24,085        |               | 24,085           |               |
| <b>Adjustment for inflation amount</b>                          | <b>76,266</b> |               | <b>76,266</b>    |               |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***1. Organization and operations of the Company (continued)**

As at 30 June 2018 and 31 December 2017 the distribution of the Company’s shares on the basis of group is as follows:

|         | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------|---------------------|-------------------------|
| Group A | 8,976               | 8,976                   |
| Group B | 3,741               | 3,741                   |
| Group C | 37,219              | 37,219                  |
| Group D | 2,245               | 2,245                   |
|         | <b>52,181</b>       | <b>52,181</b>           |

Every shareholder has voting right in proportion to the shares. However, Group A, B and D shareholders are privileged in the selection of the Board of Directors, and Group A and B shareholders are privileged in electing auditors. There are no privileges 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 30 June 2018, the activity areas and the Group’s shares in these subsidiaries are as follows:

| <b>Subsidiary</b>                  | <b>Country of Establishment</b> | <b>Area of Activity</b> | <b>Final Rate %</b> |                                       |
|------------------------------------|---------------------------------|-------------------------|---------------------|---------------------------------------|
|                                    |                                 |                         | <b>30 June 2018</b> | <b>31 December 2017<sup>(*)</sup></b> |
| 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                                |
| Neco Maritime Ltd.                 | Malta                           | Marine                  | 100,00              | 100,00                                |
| Zeyno Maritime Ltd. <sup>(*)</sup> | Malta                           | Marine                  | --                  | 100,00                                |

<sup>(\*)</sup> On 6 June 2018, Zeyno fully owned by the Company has been sold to GSD Shipping B.V. established on 19 October 2016 domiciled in the Netherlands with a price of USD 5.883.290,06. Price has been determined according to valuation report.

Zeyno Maritime Limited has been consolidated in the Company's consolidated financial statements until 6 June 2018.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **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.

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 announced public started to be prepared in accordance with TAS 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% 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 TAS regulations as at the reporting period dated 30 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 TAS regulations. Zeyno Maritime Limited has ceased to be a subsidiary and consolidated of the GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. on June 2018.

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, 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 30 September 2016 in accordance with TAS.

The consolidated financial statements of the Group dated 30 June 2018 were approved by the Company’s Board of Directors on 17 August 2018. 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.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **2. Basis of presentation of financial statements (continued)**

### **2.1 Basis of presentation (continued)**

#### **2.1.2 Functional and Reporting Currency**

The Company 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 except for financial assets available for sale which are measured at fair value and assets held for sale which are measured at lower of cost or fair value less costs to sell. 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. The Company’s functional currency is TL.

#### **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 involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of 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 investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee sufficient 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 circumstances 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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 necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Groups accounting policies.

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

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.1 Basis of presentation (continued)**

###### **2.1.3 Basis of consolidation (continued)**

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries as at 31 December 2017 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 TAS 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 Comparative information**

Consolidated financial statements of the Group have been prepared comparatively with the prior period. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

###### **Reclassifications in 30 June 2017 financial statements**

Blocked cash amounting to TL 1,760 in the cash and cash equivalents at 1 January and blocked cash amounting to TL 1,767 in the cash and cash equivalents at 30 June 2017 has been netted off respectively with cash and cash equivalents at 1 January amounting TL 17,310 and cash and cash equivalents at 30 June 2017 amounting TL 21,505 in the statement of cash flows as at 30 June 2017.

###### **2.1.5 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.

###### **2.1.6 Going concern**

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

#### **2.2 Changes in accounting policies**

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2017. Changes in accounting policies are also expected to be applied in the financial statements of the Company for the year ended 31 December 2018. The details of the new significant accounting policies and the nature of the changes to previous accounting policies are set out below.

##### **a) TFRS 15 Revenue from Contracts with Customers**

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretation.

The new standard changes the guidances existed in TAS and establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The basic principle of the standard is that the entity reflects the amount of the goods or services committed to the customers at an amount that reflects the expected amount of the entitlement to acquire to the financial statements.

The standard is in effect starting from 1 January 2018 and does not have significant impact on the consolidated financial statements.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **2. Basis of presentation of financial statements (continued)**

### **2.2 Changes in accounting policies (continued)**

#### **b) TFRS 9 Financial Instruments**

TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has begun applying the TFRS 9 Financial Instruments standard, which was published in July 2014, with the first application date of 1 January 2018. TFRS 9 sets out the requirements for accounting and measuring the purchase and sale contracts of financial assets and liabilities and certain non-financial items. There is not impact of transition to TFRS 9 on prior years' profits / (losses) as of 1 January 2018.

#### *i. Classification of financial asset and liabilities*

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Grup's accounting policies related to financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is set out below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Grup may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Grup may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.



**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

**Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

**2. Basis of presentation of financial statements (continued)**

**2.2 Changes in accounting policies (continued)**

**b) TFRS 9 Financial Instruments(continued)**

*i. Classification of financial asset and liabilities*

The following accounting policies apply to the subsequent measurement of financial assets.

|   |   |
|---|---|
| <b>Financial assets at FVTPL</b>          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.  |
| <b>Financial assets at amortized cost</b> | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.<br>Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.                         |
| <b>Debt investments at FVOCI</b>          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss |
| <b>Equity investments at FVOCI</b>        | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.<br>Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.   |

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

|                               | <i>Note</i> | Original classification<br>under TAS 39 | New classification<br>under TFRS 9 | Original<br>carrying amount<br>under TAS 39 | New carrying<br>amount under<br>TFRS 9 |
|-------------------------------|-------------|---|------------------------------------|---|--|
| <b>Financial assets</b>       |             |   |                                    |   |  |
| Cash and cash equivalents     | 3           | Loans and receivables                   | Amortized cost                     | 27,634                                      | 27,634                                 |
| Trade receivables             | 7           | Loans and receivables                   | Amortized cost                     | 3,123                                       | 3,123                                  |
| Other receivables             | 9           | Loans and receivables                   | Amortized cost                     | 2   | 2                                      |
| <b>Total financial assets</b> |             |   |                                    | <b>30,759</b>                               | <b>30,759</b>                          |

Trade and other receivables classified as loans and receivables in accordance with TAS 39 are now classified as measured at amortized cost. As there is no increase or decrease in the provision for impairment of these receivables there is no amount to be recognized in the of prior years’ profits / (losses) in the transition to TFRS 9 on 1 January 2018.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **2. Basis of presentation of financial statements (continued)**

### **2.2 Changes in accounting policies (continued)**

#### **b) TFRS 9 Financial Instruments(continued)**

##### *ii. Impairment of Financial Assets*

TFRS 9 replaces the ‘incurred loss’ model in TAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- 90 days past the time of the financial instrument.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The maximum time to be measured by the ECLs is the maximum contractual period that the Company is exposed to credit risk.

#### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Cash deficit is the difference between the cash flows that must be made to the business by the contract and the cash flows that the business expects to receive. Given the amount and timing of payments on expected credit losses, a credit loss occurs even if the Company expects to give full payment after the date of determined due in the contract. ECLs are discounted at the effective interest rate of the financial asset.

#### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

As there is no increase or decrease in provision for impairment of financial assets, there is no amount to be recognized in of prior years’ profits / (losses) in the transition to TFRS 9 on 1 January 2018.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.2 Changes in accounting policies (continued)**

###### **b) TFRS 9 Financial Instruments(continued)**

###### **Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

###### **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 30 June 2018**

###### ***Standards issued but not yet effective and not early adopted***

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Group has not early adopted 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.

###### ***TFRS 16 Leases***

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases 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 TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

###### ***TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments***

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

###### ***Amendments to TFRS 9 - Prepayment features with negative compensation***

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

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*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.4 New standards and interpretations not yet adopted as at 30 June 2018(continued)**

*Standards issued but not yet effective and not early adopted(continued)*

###### *Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures*

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

###### *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 these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. 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 TAS.

###### *Annual Improvements to IFRSs 2015-2017 Cycle*

###### *Improvements to IFRSs*

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

###### *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

###### *IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

###### *IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

###### *Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -*

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **2. Basis of presentation of financial statements (continued)**

### **2.4 New standards and interpretations not yet adopted as at 30 June 2018(continued)**

#### ***Annual Improvements to IFRSs 2015-2017 Cycle (continued)***

#### **The revised Conceptual Framework**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

## **2.5 Summary of significant accounting policies**

### *(a) Financial instruments*

TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

#### *Classification and measurement of financial assets and financial liabilities*

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Group classifies, measures and recognizes in accordance with TFRS 9 is presented below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

## **2. Basis of presentation of financial statements (continued)**

### **2.5 Summary of significant accounting policies (continued)**

#### *(a) Financial instruments (continued)*

#### *Classification and measurement of financial assets and financial liabilities (continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### *Impairment of Financial Assets*

IFRS 9 replaces the ‘incurred loss’ model in TAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

#### **Trade Receivables**

The analysis for the IFRS - 9 provisioning calculation model includes the trade receivables. The Company has calculated the ECL’s based on the the experience of credit losses in the last three years. The Company performed the calculation of ECL separately for each customers. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region and age of relationship.

#### **Receivables from finance sector operations**

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.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.5 Summary of significant accounting policies (continued)**

*(a) Financial instruments (continued)*

##### **Receivables from finance sector operations (continued)**

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.

##### Financial Liabilities

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.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (“FVTPL”) or other financial liabilities.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

##### *Derivative financial instruments*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The significant interest rate risk arises from bank loans. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes occurred are recognized as mentioned below.

If the financial instrument holds for aiming risk management and does not carry out the necessities of hedge accounting, these financial instruments are classified as held for trading. Thus, differences due to fair value calculations are recognized within gains/losses from derivative financial transactions' account.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### (a) Financial instruments (continued)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

#### (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.

Upon the purchase of a ship, parts of the ship that need to be replaced during the next dry-dock are identified and their costs are capitalized and depreciated until the next estimated dry-dock date. When a significant replacement cost occurs prior to the expiry of the depreciation period, the remaining costs of the previous dry-dock are expensed immediately. Repair and maintenance costs are recognized in the financial statements in the period in which they are incurred. Significantly, the renewal or replacement cost is included in the carrying amount of the asset, if the future economic benefits exceed the standard performance of the asset. Major renewal is depreciated over the remaining useful life of the asset.

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

|                         | Years |
|-------------------------|-------|
| Ships                   | 18    |
| Drydock                 | 5     |
| Machinery and equipment | 3-4   |
| Vehicles                | 5     |
| Furnitures and fixtures | 4-5   |

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



## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 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) 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.

###### (e) 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.

|   | 30 June 2018 | 31 December 2017 |
|---|--------------|------------------|
| Net discount rate                                       | 5.99%        | 5.99%            |
| Expected rate of salary / limit increase                | 6.00%        | 6.00%            |
| Turnover rate to estimate the probability of retirement | 100.00%      | 100.00%          |

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 5,001.76 (31 December 2017: full TL 4,732.48) which is effective as at 30 June 2018 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

###### f) Provisions, contingent assets and liabilities

As specified 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.

###### (g) Revenue recognition

###### (i) Marine sector revenues and expenses

Marine sector revenues and expenses are recognized on accrual basis.

The rent revenue is earned by leasing the vessels within time charter. Rental incomes are collected at the beginning of the agreement for each 15 day periods within the scope of agreement.

###### (ii) 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.

###### (iii) Dividend Income

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

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.5 Summary of significant accounting policies (continued)**

###### *(g) Revenue recognition (continued)*

###### *(iv) Other Income / Expense*

Other income and expenses are recognized on accrual basis.

###### *(v) Financial Income / Expense*

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

###### *(h) 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

###### *(i) 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.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2. Basis of presentation of financial statements (continued)**

##### **2.5 Summary of significant accounting policies (continued)**

###### *(j) Earning/losses per share*

Earnings/losses per share is calculated by dividing the net income/loss 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.

###### *(k) Borrowing costs*

Investment in a tangible asset that cannot 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”.

###### *(l) 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.

Rental income from operating leases, based on straight-line basis over the term of the relevant lease, is recognized when it is reliably measured and the economic benefits associated with the transaction are probable to be acquired by the Group.

###### *(ii) Finance leases*

Explained Note 2.5(a)

###### *(m) 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 reporting date of authorization for the publication of financial statements. 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 notes.

###### *(n) 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.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### (o) 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 30 June 2018 and 2017, cash and cash equivalents details are as follows except the interest income rediscounts and blocked amounts presented in the statement of cash flows.

|       | 30 June 2018  | 30 June 2017  |
|-------|---------------|---------------|
| Cash  | -             | 2             |
| Banks | 34,341        | 19,736        |
|       | <b>34,341</b> | <b>19,738</b> |

#### (p) 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 statement of profit or loss.

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 30 June 2018 and 31 December 2017 that were used by the Company are as follows;

|      | 30 June 2018 | 31 December 2017 |
|------|--------------|------------------|
| USD  | 4.5607       | 3.7719           |
| EURO | 5.3092       | 4.5155           |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 2. Basis of presentation of financial statements (continued)

##### 2.5 Summary of significant accounting policies (continued)

###### (r) 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 and fuel remaining at the end of time charter. Costs of inventories comprise purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition.

#### 3. Cash and cash equivalents

As at 30 June 2018 and 31 December 2017 cash and cash equivalents are as follows;

|  | 30 June 2018  | 31 December 2017 |
|--|---------------|------------------|
| Cash at banks  | 35,486        | 27,632           |
| Demand deposit   | 2,873         | 13,727           |
| Time deposit   | 32,613        | 13,905           |
| Cash on hands  | -             | 2                |
| <b>Total cash and cash equivalents included in the balance sheet</b> | <b>35,486</b> | <b>27,634</b>    |
| Accrued interest income on cash and cash equivalents                 | (4)           | (7)              |
| Blocked deposits   | (1,141)       | (1,887)          |
| <b>Total cash and cash equivalents included in the cash flow</b>     | <b>34,341</b> | <b>25,740</b>    |

As at 30 June 2018, the time deposits comprised bank placements in USD. As at 30 June 2018 interest rate is between 4.35%-4.85% for USD (31 December 2017: 0.70% - 4.25% for USD) denominated bank accounts. The principal portion of the bank loan used to finance the ship purchase obtained by Dodo Maritime Limited, Hako Maritime Limited and Zeyno Maritime Limited is assigned by the related bank and interest income is received by Dodo Maritime Limited on the blocked amount up to maturity.

#### 4. Financial assets-fair value through profit or loss

As at 30 June 2018 and 31 December 2017, there is no financial assets fair value through profit or loss.

#### 5. Investment in associates, joint ventures and subsidiaries

As at 30 June 2018 and 31 December 2017, investment in associates, joint ventures and subsidiaries which are disclosed under non-current assets comprised of shares that are not traded on the stock exchange.

As at 30 June 2018 and 31 December 2017, details of other financial investments are as follows;

|                    | 30 June 2018 |                | 31 December 2017 |                |
|--------------------|--------------|----------------|------------------|----------------|
|                    | % of shares  | Carrying value | % of shares      | Carrying value |
| <i>Not Listed</i>  |              |                |                  |                |
| GSD Faktoring A.Ş. | 1.98         | 962            | 1.98             | 962            |
|                    |              | <b>962</b>     |                  | <b>962</b>     |

#### 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 2017: 77.96%) of its shares and that is the principal shareholder of the Company. The ultimate parent 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.

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***6. Related party disclosures (continued)****(a) Banks**

|                                 | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------|---------------------|-------------------------|
| Cash at banks                   | 1                   | 9,452                   |
| <i>GSD Yatırım Bankası A.Ş.</i> | <i>1</i>            | <i>9,452</i>            |
| Bank borrowings                 | 28,247              | 28,310                  |
| <i>GSD Yatırım Bankası A.Ş.</i> | <i>28,247</i>       | <i>28,310</i>           |

**b) Other balances and transactions with related parties**

As at 30 June 2018 and 31 December 2017, other receivables due to related parties are as follows:

|                        | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------------|---------------------|-------------------------|
| Zeyno Maritime Limited | 4,177               | -                       |
| Mila Maritime Limited  | 38                  | -                       |
| <b>Total</b>           | <b>4,215</b>        | <b>-</b>                |

As at 30 June 2018 and 31 December 2017, other current assets due to related parties are as follows:

|                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------|---------------------|-------------------------|
| GSD Holding A.Ş. | 90                  | -                       |
| <b>Total</b>     | <b>90</b>           | <b>-</b>                |

Other current assets due to related parties comprised of capital software services that are provided by GSD Yatırım Bankası A.Ş.

As at 30 June 2018 and 31 December 2017, trade payables due to related parties are as follows:

|                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------|---------------------|-------------------------|
| GSD Holding A.Ş. | 22                  | 12                      |
| <b>Total</b>     | <b>22</b>           | <b>12</b>               |

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

Transactions with related parties as at 30 June 2018 and 30 June 2017 are as follows:

| <b>Group companies of the parent</b>                   | <b>30 June 2018</b> | <b>30 June 2017</b> |
|--|---------------------|---------------------|
| GSD Faktoring A.Ş. - Dividend                          | 59                  | -                   |
| Mila Maritime Ltd. - Commercial management commission  | 52                  | -                   |
| Zeyno Maritime Ltd. - Commercial management commission | 36                  | -                   |
| GSD Yatırım Bankası A.Ş. - Interest income             | 32                  | -                   |
| Zeyno Maritime Ltd. - Interest income                  | 18                  | -                   |
| GSD Yatırım Bankası A.Ş. - Share payments              | (63)                | (46)                |
| GSD Holding - Share payments                           | (76)                | (61)                |
| M. Turgut Yılmaz - Rent expenses                       | (173)               | (129)               |
| GSD Yatırım Bankası A.Ş. - Interest expenses           | (772)               | (379)               |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018**

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

**6. Related party disclosures (continued)****(c) Derivative financial transactions**

As at 30 June 2018, the Group does not have any derivative transactions with related parties (31 December 2017: None).

**(d) Key management benefits**

Total benefit of key management for the period ended 30 June 2018 is TL 649 (30 June 2017: TL 663).

**(e) Other**

As at 30 June 2018, GSD Holding has provided surety amounting to TL 620,602 to credit institutions as a guarantee against its open lines of credit (31 December 2017: TL 573,974).

**7. Trade receivables and payables****7.1 Trade receivables**

As at 30 June 2018 and 31 December 2017, details of trade receivables are as follows:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Trade receivables from marine activities | 4,590               | 3,123                   |
| Doubtful trade receivables               | 1,980               | 1,980                   |
| Provision for doubtful trade receivables | (1,980)             | (1,980)                 |
|  | <b>4,590</b>        | <b>3,123</b>            |

As at 30 June 2018 and 31 December 2017, movements in the provision for doubtful trade receivables:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Allowance at the beginning of the year | 1,980               | 1,980                   |
| <b>Allowance at the end of period</b>  | <b>1,980</b>        | <b>1,980</b>            |

**7.2 Trade payables**

As at 30 June 2018 and 31 December 2017, details of trade payables are as follows:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Trade payables from marine activities      | 1,173               | 597                     |
| Trade payables from VAT refund receivables | 77                  | 77                      |
| Other trade payables (*)                   | 22                  | 12                      |
|  | <b>1,272</b>        | <b>686</b>              |

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

**8. Receivables and payables from finance sector activities****8.1 Receivables from finance sector activities**

As at 30 June 2018 and 31 December 2017, details of short-term receivables from finance sector operations are as follows:

|                                    | <b>30 June 2018</b> | <b>31 December 2017</b> |
|------------------------------------|---------------------|-------------------------|
| Finance lease receivables          | 23                  | 21                      |
| Doubtful receivables               | 3,501               | 3,142                   |
| Provision for doubtful receivables | (3,501)             | (3,142)                 |
|                                    | <b>23</b>           | <b>21</b>               |

The Company does not have long-term receivables from finance sector operations as at 30 June 2018 (31 December 2017: None). The Company’s credit, liquidity and market risk exposures resulting from financial sector receivables are disclosed in Note 33.

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***8. Receivables and payables from finance sector activities (continued)****8.1.1 Finance lease receivables**

As at 30 June 2018 and 31 December 2017, details of finance lease receivables are as follows:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| <b>Short-term finance lease receivables</b>      |                     |                         |
| Finance lease receivables, not due               | 27                  | 24                      |
| Unearned interest income (-)                     | (4)                 | (3)                     |
| <b>Short-term finance lease receivables, net</b> | <b>23</b>           | <b>21</b>               |
| <b>Total finance lease receivables, net</b>      | <b>23</b>           | <b>21</b>               |

**8.1.2 Doubtful receivables**

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

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

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| <b>Balance at January 1</b>              | 3,142               | 2,870                   |
| Current period provisions                | 360                 | 274                     |
| Current period collections for provision | (1)                 | (2)                     |
| <b>Provision net of recoveries</b>       | <b>359</b>          | <b>272</b>              |
| <b>Balance at June 30</b>                | <b>3,501</b>        | <b>3,142</b>            |

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 30 June 2018 and 31 December 2017, details of payables from finance sector operations are as follows:

|                   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|-------------------|---------------------|-------------------------|
| Advances received | 47                  | 40                      |
| Suppliers         | -                   | 54                      |
|                   | <b>47</b>           | <b>94</b>               |



**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***9. Other receivables and payables****9.1 Other receivables**

As at 30 June 2018 and 31 December 2017, details of other receivables are as follows:

|   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---|---------------------|-------------------------|
| Other receivables due from related parties <sup>(*)</sup> | 4,215               | -                       |
| Other receivables   | 2                   | 2                       |
|   | <b>4,217</b>        | <b>2</b>                |

<sup>(\*)</sup> TL 4,177 of this amount is due to the transfer of the receivable from Zeyno Maritime Ltd. from receivables from subsidiaries to the account receivable from the related parties.

**9.2 Other payables**

As at 30 June 2018 and 31 December 2017, details of other payables are as follows:

|                                  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------------------------------|---------------------|-------------------------|
| Other tax payables               | 64                  | 75                      |
| Social security premium payables | 39                  | 65                      |
| Other                            | 29                  | -                       |
|                                  | <b>132</b>          | <b>140</b>              |

**10. Inventories**

As at 30 June 2018 and 31 December 2017, details of inventories are as follows:

|          | <b>30 June 2018</b> | <b>31 December 2017</b> |
|----------|---------------------|-------------------------|
| Ship oil | 777                 | 825                     |
| Fuel     | -                   | 145                     |
|          | <b>777</b>          | <b>970</b>              |

**11. Prepaid expenses**

As at 30 June 2018 and 31 December 2017, details of prepaid expenses that are classified in current assets are as follows:

|                                       | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------------------|---------------------|-------------------------|
| Insurance expenses                    | 685                 | 584                     |
| Prepaid loan commission expenses      | 385                 | 268                     |
| Prepaid miscellaneous expenses        | 73                  | 16                      |
| Ship annual tonnage tax expenses      | 32                  | 27                      |
| Ship annual registration fee expenses | 10                  | 5                       |
|                                       | <b>1,185</b>        | <b>900</b>              |

As at 30 June 2018 and 31 December 2017, there are no prepaid expenses that are classified in non-current assets.

**12. Current income tax assets**

As at 30 June 2018, the current assets amounting to TL 15 consist bank deposits and tax deductions from interest income derived from mutual funds which are not yet deducted (31 December 2017: TL 5).

**13. Assets held for sale**

As at 30 June 2018, assets held for sale amounting to TL 76 comprised of lands which were acquired from certain customers in exchange for finance lease receivables (31 December 2017: TL 76).

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

**Notes to the consolidated financial statements**

**As at 30 June 2018**

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

**14. Tangible assets**

Movement of tangible assets for the period ended 30 June 2018 are as follows:

|                                 | 1 January 2018 | Additions           | Disposals <sup>(*)</sup> | Currency translation differences | 30 June 2018   |
|---------------------------------|----------------|---------------------|--------------------------|----------------------------------|----------------|
| <b>Cost</b>                     |                |                     |                          |                                  |                |
| Ships                           | 416,719        | -                   | 97,705                   | 68,206                           | 387,220        |
| Drydock                         | 1,657          | 4,514               | -                        | 240                              | 6,411          |
| Machinery and equipment         | 26             | -                   | -                        | -                                | 26             |
| Vehicles                        | 503            | 6                   | -                        | -                                | 509            |
| Furnitures and fixtures         | 1,466          | 15                  | -                        | -                                | 1,481          |
|                                 | <b>420,371</b> | <b>4,535</b>        | <b>97,705</b>            | <b>68,446</b>                    | <b>395,647</b> |
|                                 |                |                     |                          |                                  |                |
|                                 | 1 January 2018 | Current year charge | Disposals <sup>(*)</sup> | Currency translation differences | 30 June 2018   |
| <b>Accumulated depreciation</b> |                |                     |                          |                                  |                |
| Ships                           | 72,680         | 9,785               | 19,633                   | 14,749                           | 77,581         |
| Drydock                         | 110            | 395                 | -                        | 24                               | 529            |
| Machinery and equipment         | 26             | -                   | -                        | -                                | 26             |
| Vehicles                        | 17             | 51                  | -                        | -                                | 68             |
| Furnitures and fixtures         | 1,436          | 7                   | -                        | -                                | 1,443          |
|                                 | <b>74,269</b>  | <b>10,238</b>       | <b>19,633</b>            | <b>14,773</b>                    | <b>79,647</b>  |
| <b>Net book value</b>           | <b>346,102</b> |                     |                          |                                  | <b>316,000</b> |

(\*) On 6 June 2018, 100% shares of Zeyno were transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno as subsidiary. Disposal amount arises from this transaction.

Movement of tangible assets for the year ended 31 December 2017 are as follows:

|                                 | 1 January 2017 | Additions           | Disposals | Currency translation differences | 31 December 2017 |
|---------------------------------|----------------|---------------------|-----------|----------------------------------|------------------|
| <b>Cost</b>                     |                |                     |           |                                  |                  |
| Ships                           | 388,616        | 199                 | -         | 27,904                           | 416,719          |
| Drydock                         | -              | 1,657               | -         | -                                | 1,657            |
| Machinery and equipment         | 26             | -                   | -         | -                                | 26               |
| Vehicles                        | -              | 503                 | -         | -                                | 503              |
| Furnitures and fixtures         | 1,464          | 2                   | -         | -                                | 1,466            |
|                                 | <b>390,106</b> | <b>2,361</b>        | <b>-</b>  | <b>27,904</b>                    | <b>420,371</b>   |
|                                 |                |                     |           |                                  |                  |
|                                 | 1 January 2017 | Current year charge | Disposals | Currency translation differences | 31 December 2017 |
| <b>Accumulated depreciation</b> |                |                     |           |                                  |                  |
| Ships                           | 51,147         | 17,859              | -         | 3,674                            | 72,680           |
| Drydock                         | -              | 110                 | -         | -                                | 110              |
| Machinery and equipment         | 26             | -                   | -         | -                                | 26               |
| Vehicles                        | -              | 17                  | -         | -                                | 17               |
| Furnitures and fixtures         | 1,422          | 14                  | -         | -                                | 1,436            |
|                                 | <b>52,595</b>  | <b>18,000</b>       | <b>-</b>  | <b>3,674</b>                     | <b>74,269</b>    |
| <b>Net book value</b>           | <b>337,511</b> |                     |           |                                  | <b>346,102</b>   |

As at 30 June 2018 and 31 December 2017, the ships were pledged to banks in return for the borrowings used for financing the ships (Note 18).

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the consolidated financial statements**

**As at 30 June 2018**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **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 2017 in accordance with TAS 36 and has not booked a provision for impairment as at 30 June 2018 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 the Group 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 Group 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 Group 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 30 June 2018, intangible assets of the Company have been fully amortized (31 December 2017: Fully amortized).

#### **16. Financial liabilities**

##### **16.1 Borrowing cost**

In the consolidated financial statements of the Group dated 30 June 2018, there is no capitalized borrowing cost. (31 December 2017: None).

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***16. Financial liabilities (continued)****16.2 Bank borrowings**

As at 30 June 2018 and 31 December 2017 borrowings consist of bank loans. Details of bank loans are as follows:

|  | Curren-<br>cy | Original<br>amount | 30 June 2018       |  | 31 December 2017   |                    |  |
|--|---------------|--------------------|--------------------|--|--------------------|--------------------|--|
|  |               |                    | Carrying<br>amount | Interest rate %  | Original<br>amount | Carrying<br>amount | Interest rate %  |
| Fixed interest   | USD           | 1,011              | 4,612              | 6,25%  | 2,160              | 8,146              | 5,25-5.60%   |
| <b>Short-term bank borrowings</b>                      |               |                    | <b>4,612</b>       |  |                    | <b>8,146</b>       |  |
| Fixed interest   | USD           | 10,207             | 46,551             | 4,50-5.70%<br>Libor 3M + 2.80%,<br>Libor 3M + 3.15%,<br>Libor 3M + 3.25% | 1,314              | 4,955              | 5.25-5.60%<br>Libor 3M + 2.80%,<br>Libor 3M + 3.15%,<br>Libor 3M + 3.25% |
| Floating interest                                      | USD           | 4,199              | 19,150             |  | 4,805              | 18,125             |  |
| <b>Short-term portion of long-term bank borrowings</b> |               |                    | <b>65,701</b>      |  |                    | <b>23,080</b>      |  |
| Fixed interest   | USD           | 15,052             | 68,649             | 4.50-6.50%<br>Libor 3M + 2.80%,<br>Libor 3M + 3.15%,<br>Libor 3M + 3.25% | 30,206             | 113,933            | 4.50-6.50%<br>Libor 3M + 2.80%,<br>Libor 3M + 3.15%,<br>Libor 3M + 3.25% |
| Floating interest                                      | USD           | 25,414             | 115,907            |  | 37,562             | 141,682            |  |
| <b>Long-term portion of long-term bank borrowings</b>  |               |                    | <b>184,556</b>     |  |                    | <b>255,615</b>     |  |
| <b>Total long-term borrowings</b>                      |               |                    | <b>250,257</b>     |  |                    | <b>278,695</b>     |  |
| <b>Total</b>   |               |                    | <b>254,869</b>     |  |                    | <b>286,841</b>     |  |

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:

|                   | 30 June 2018   |                   | 31 December 2017 |                   |
|-------------------|----------------|-------------------|------------------|-------------------|
|                   | Fixed interest | Floating interest | Fixed interest   | Floating interest |
| Up to 1 year      | 46,551         | 19,150            | 4,955            | 18,125            |
| Up to 2 years     | 68,649         | 42,542            | 113,933          | 17,482            |
| Up to 3 years     | -              | 52,986            | -                | 35,946            |
| Up to 4 years     | -              | 19,481            | -                | 76,278            |
| More than 5 years | -              | 898               | -                | 11,976            |
|                   | <b>115,200</b> | <b>135,057</b>    | <b>118,888</b>   | <b>159,807</b>    |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 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 agreements. 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 30 June 2018 and 31 December 2017 contractual lease agreements’ liabilities are as follows:

|                            | 30 June 2018 | 31 December 2017 |
|----------------------------|--------------|------------------|
| Less than one year         | 449          | 283              |
| Between one and five years | 76           | 71               |
| <b>Total</b>               | <b>525</b>   | <b>354</b>       |

For the period ended 30 June 2018, total rent expenses for operating leases amounted to TL 240 recognized in the financial statements (31 December 2017: TL 180).

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 18. Commitments

##### 18.1 Guarantees given

The Guarantees, Pledges and Mortgages (“GPMs”) that the Company gave as at 30 June 2018 and 31 December 2017 are as follows:

| GPMs given by the Company   | 30 June 2018        |    |                     | 31 December 2017    |    |                     |
|---|---------------------|----|---------------------|---------------------|----|---------------------|
|   | Total TL Equivalent | TL | USD (TL Equivalent) | Total TL Equivalent | TL | USD (TL Equivalent) |
| <b>A. Total Amount of GPMs that were Given on Behalf of Its Own Legal Entity</b>  | <b>89,496</b>       | -  | <b>89,496</b>       | <b>85,469</b>       | -  | <b>85,469</b>       |
| 1. Letters of guarantee that were given by the Group bank as cash collateral surety   | -                   | -  | -                   | -                   | -  | -                   |
| 2. Letters of guarantee that were given by the non-group bank as cash collateral surety   | -                   | -  | -                   | -                   | -  | -                   |
| 3. Cash   | 1,141               | -  | 1,141               | 6,007               | -  | 6,007               |
| 4. Tangible asset mortgage given as cash collateral surety (*)  | 56,236              | -  | 56,236              | 51,354              | -  | 51,354              |
| 5. Participation share given as cash collateral surety (*)  | 32,119              | -  | 32,119              | 28,108              | -  | 28,108              |
| <b>B. Total Amount of GPMs that was Given in Favor of the Partnerships that were Included in the Scope of Full Consolidation</b>              | <b>274,102</b>      | -  | <b>274,102</b>      | <b>348,257</b>      | -  | <b>348,257</b>      |
| 1. Bails given as cash collateral surety (*)  | 195,280             | -  | 195,280             | 232,607             | -  | 232,607             |
| 2. Tangible asset mortgage given as cash collateral surety (*)  | 78,822              | -  | 78,822              | 108,455             | -  | 108,455             |
| 3. Bank deposit pledge given as cash collateral (**)  | -                   | -  | -                   | 7,195               | -  | 7,195               |
| <b>C. Total Amount of GPMs that Other Third Parties give With The Purpose of Assuring Debts for Conducting Ordinary Commercial Activities</b> | -                   | -  | -                   | -                   | -  | -                   |
| <b>D. GPMs that were Given the Scope of the Article 12/2 of the Corporate Governance Communiqué</b>   | -                   | -  | -                   | -                   | -  | -                   |
| <b>E. Total Amount of the Other GPMs Given</b>  | <b>22,879</b>       | -  | <b>22,879</b>       | -                   | -  | -                   |
| 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 (***)       | 22,879              | -  | 22,879              | -                   | -  | -                   |
| iii. Total Amount of GPMs that were Given In Favor of the Third Parties that are not Included in the Scope of Article C                       | -                   | -  | -                   | -                   | -  | -                   |
| <b>Total</b>  | <b>386,477</b>      | -  | <b>386,477</b>      | <b>433,726</b>      | -  | <b>433,726</b>      |

(\*) 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 the Company are entirely pledged to banks respectively in return to bank loans borrowed for the acquisition of ships.

(\*\*) By virtue of financing acquisition of ships M/V Cano, M/V Hako and M/V Zeyno, it is the abstracted amount for the benefit of the Company and Zeyno Maritime Limited from the amount which retained in the account of Hako Maritime Limited by the bank as assignment.

(\*\*\*) On 6 June 2018, 100 % shares of the Company Zeyno owned by the Company were transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno as subsidiary. The amount arises from the guarantee given by the Company for the loans that have not been matured yet.

As at 30 June 2018 and 31 December 2017, Guarantees/Pledges/Mortgages (GPM) consist of letters of guarantee, guarantees, ship mortgage, pledge of share and bails that are given to the following institutions:

|       | 30 June 2018   | 31 December 2017 |
|-------|----------------|------------------|
| Banks | 386,477        | 433,726          |
|       | <b>386,477</b> | <b>433,726</b>   |

As at 30 June 2018 and 31 December 2017, 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 30 June 2018, the rate of the other GPMs the Company have given to the Company’s shareholders’ equity is 21% (31 December 2017: 0%).

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***18. Commitments (continued)****18.2 Guarantees Taken**

As at 30 June 2018 and 31 December 2017, the details of the guarantees that were obtained in return for the Company’s receivables from finance sector activities are as follows:

|                           | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------------------|---------------------|-------------------------|
| Customer promissory notes | 182,177             | 182,177                 |
| Mortgages                 | 3,727               | 3,727                   |
| Assignment                | 420                 | 420                     |
| Customer checks           | 77                  | 77                      |
| Letters of guarantee      | 25                  | 25                      |
|                           | <b>186,426</b>      | <b>186,426</b>          |

**18.3 Other**

As at 30 June 2018, GSD Holding has provided surety amounting to TL 620,602 to credit institutions as a guarantee against its open lines of credit (31 December 2017: TL 573,974).

**19. Employee benefit obligations**

The Company does not have any employee benefit obligations as at 30 June 2018 (31 December 2017: None).

**20. Deferred income**

As at 30 June 2018, the amount of deferred income amounting to TL 951 stems from early collection of monthly rents of ships (31 December 2017: TL 834).

**21. Provision for employee benefits****21.1 Provision for short-term employee benefits**

As at 30 June 2018 and 31 December 2017, details of provision for short-term employee benefits are as follows:

|               | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---------------|---------------------|-------------------------|
| Bonus premium | 90                  | 160                     |
|               | <b>90</b>           | <b>160</b>              |

As at 30 June 2018 and 31 December 2017 the movement of unused vacation provision is as follows:

| <b>∴</b>                                | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---|---------------------|-------------------------|
| Balance at the beginning of the year    | 160                 | 120                     |
| Paid provision for the current period   | (160)               | (120)                   |
| Provision for the current period        | 90                  | 160                     |
| <b>Balance at the end of the period</b> | <b>90</b>           | <b>160</b>              |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***21. Provision for employee benefits(continued)****21.2 Provision for long-term employee benefits**

As at 30 June 2018 and 31 December 2017, details of provision for long-term employee benefits are as follows:

|   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---|---------------------|-------------------------|
| Provision for employee benefit                | 612                 | 609                     |
| <i>Employee termination benefit provision</i> | 254                 | 290                     |
| <i>Unused vacation provision</i>              | 358                 | 319                     |
|   | <b>612</b>          | <b>609</b>              |

*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 5,001.76 as at 30 June 2018 (31 December 2017: full TL 4,732.48). The Group recognized actuarial gain/(loss) under profit and loss and other comprehensive income according to the Employee Benefits (TAS 19) standard published on the official gazette on 12 March 2013, no. 28585.

As at the 30 June 2018 and 31 December 2017, movement of provision for employee termination benefit is as follows:

|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
|--|---------------------|-------------------------|
| Balance at the beginning of the year     | 290                 | 272                     |
| Actuarial gain/loss                      | 2                   | 31                      |
| Interest cost                            | 7                   | 9                       |
| Provision for the current period         | 26                  | 53                      |
| Provision payment for the current period | (71)                | (75)                    |
| <b>Balance at the end of the period</b>  | <b>254</b>          | <b>290</b>              |

*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 30 June 2018 and 31 December 2017 is the total undiscounted liability amount that all the employees are entitled which corresponds to the days of their unused leaves.

As at the 30 June 2018 and 31 December 2017, movement of provision for unused vacations is as follows:

|   | <b>30 June 2018</b> | <b>31 December 2017</b> |
|---|---------------------|-------------------------|
| Balance at the beginning of the year    | 319                 | 268                     |
| Paid provision for the current period   | (13)                | -                       |
| Provision for the current period        | 52                  | 51                      |
| <b>Balance at the end of the period</b> | <b>358</b>          | <b>319</b>              |



## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 22. Other current and non-current assets

As at 30 June 2018 and 31 December 2017, details of other current assets are as follows:

|                                     | 30 June 2018 | 31 December 2017 |
|-------------------------------------|--------------|------------------|
| Deferred VAT                        | 663          | 598              |
| Advances given to personnel and job | 90           | -                |
|                                     | <b>753</b>   | <b>598</b>       |

As at 30 June 2018 and 31 December 2017, the Company does not have other non-current assets.

#### 23. Equity

##### 23.1 Paid-in share capital

As at 30 June 2018, the Company’s nominal value of authorized share capital amounts to TL 52,181 (31 December 2017: TL 52,181) 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 30 June 2018 and 31 December 2017, the shareholding structure of the Company is disclosed in Note 1.

##### 23.2 Adjustment to share capital

As at 30 June 2018, the Company’s inflation-adjustment differences amount to TL 24,085 (31 December 2017: 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 TL 2,601 as at report date (31 December 2017: TL 2,601).

##### 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 30 June 2018, share premium of the Company is TL 1 and sales losses of repurchased shares is TL 141 (31 December 2017: share premium is TL 1 and sales losses of repurchased shares is TL 141).

##### 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 of 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 “IFRS 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.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

#### As at 30 June 2018

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

#### 23. Equity (continued)

##### 23.5 The effect of under common control business merger (continued)

As at 30 June 2018, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL 12,181 (31 December 2017: 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 2 as at 30 June 2018 (31 December 2017: TL 25).

##### 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 statement of profit or loss. As at 30 June 2018, foreign currency translation differences of the Company amount to TL 96,704 (31 December 2017: TL 79,382).

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

As at 30 June 2018, there is no financial asset revaluation fund (31 December 2017: None).

#### 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 30 June 2018 and 31 December 2017, restricted reserves are as follows:

|  | 30 June 2018  | 31 December 2017 |
|--|---------------|------------------|
| Primary legal reserves                         | 6,875         | 6,875            |
| Special funds <sup>(*)</sup>                   | 6,747         | 6,747            |
| Repurchased share provision / (classification) | 2,601         | 2,601            |
| Legal reserves inflation differences           | 2,313         | 2,313            |
| <b>Balance at the end of the period</b>        | <b>18,536</b> | <b>18,536</b>    |

<sup>(\*)</sup> Arises from the context of press announcements related to the repurchased shares of CMB dated 21 July 2016 and 25 July 2016.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 23. Equity (continued)

##### 23.9 Prior years’ profits/(losses)

For the periods ended 30 June 2018 and 31 December 2017, movements of prior years’ profits/(losses) is as follows:

|  | 30 June 2018    | 31 December 2017 |
|--|-----------------|------------------|
| Balance at 1 January                     | (51,489)        | (19,256)         |
| Profits/(losses) for the prior period    | (15,539)        | (28,345)         |
| Gains/losses from defined benefits plan  | (25)            | (31)             |
| Transfers from special funds             | -               | (1,316)          |
| Transfers from primary legal reserves    | -               | (228)            |
| Legal reserves inflation differences (*) | -               | (2,313)          |
| <b>Balance at end of period</b>          | <b>(67,053)</b> | <b>(51,489)</b>  |

(\*) Legal reserves inflation differences in previous year’s profit are transferred to restricted reserves.

##### 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.

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.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

## 23. Equity (continued)

### 23.10 Distribution on earnings (continued)

#### *Profit distribution policy*

The Ordinary General Assembly of the Company has resolved on 31 May 2018 that the profit distribution policy of Company for the year 2017 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 2017 dated 31 May 2018, it has been decided to transfer the net loss of TL 15,539 in the TAS financial statements of the Company to the prior years' losses.

## 24. Marine sector revenues and expenses

The details of marine sector revenues and expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|  | 1 January-<br>30 June 2018 | 1 January-<br>30 June 2017 |
|--|----------------------------|----------------------------|
| Ship lease income  | 34,924                     | 26,279                     |
| Fuel purchasing and selling difference income            | 36                         | -                          |
| Time charter income other than rent                      | -                          | 415                        |
| Marine sector insurance indemnity income                 | -                          | 53                         |
| Other income   | 428                        | 356                        |
| <b>Marine sector income</b>                              | <b>35,388</b>              | <b>27,103</b>              |
| Ship depreciation expense                                | (10,180)                   | (8,765)                    |
| Personnel expenses                                       | (9,567)                    | (8,693)                    |
| Various ship equipment, oil and fuel expenses            | (4,868)                    | (5,242)                    |
| Maintenance and repair expenses                          | (1,534)                    | (319)                      |
| Ship insurance expenses                                  | (1,090)                    | (1,081)                    |
| Technical management fees                                | (1,073)                    | (975)                      |
| Loss of hire   | (103)                      | (81)                       |
| Fuel purchasing and selling difference expenses          | -                          | (44)                       |
| Other expenses   | (258)                      | (375)                      |
| <b>Marine sector expenses</b>                            | <b>(28,673)</b>            | <b>(25,575)</b>            |
| <b>Gross profit/(loss) from marine sector activities</b> | <b>6,715</b>               | <b>1,528</b>               |

Subsidiaries of the Company have been registered in Malta with 100% shareholding and each owns a ship. All ships generates revenue by time hire agreements.

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***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 periods ended 30 June 2018 and 30 June 2017 are as follows:

|   | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|---|------------------------------------|------------------------------------|
| Finance lease interest income                                 | 24                                 | 7                                  |
| Finance lease receivables default income                      | 1                                  | -                                  |
| Finance lease receivables foreign exchange gains              | 1                                  | 2                                  |
| <b>Total interest and other income</b>                        | <b>26</b>                          | <b>9</b>                           |
| Provision for finance operations                              | (360)                              | (82)                               |
| <b>Total finance sector activities income/(expenses), net</b> | <b>(360)</b>                       | <b>(82)</b>                        |
| <b>Gross profit/(loss) from finance sector activities</b>     | <b>(334)</b>                       | <b>(73)</b>                        |

**26. General administrative expenses**

The details of general administrative expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|   | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|---|------------------------------------|------------------------------------|
| Personnel expenses                                  | 1,798                              | 1,465                              |
| Rent and other expenses                             | 173                                | 129                                |
| Vehicle and travel expenses                         | 150                                | 151                                |
| Purchases of services from related parties expenses | 139                                | 108                                |
| Donation, support, social responsibility expenses   | 85                                 | -                                  |
| Depreciation expenses                               | 58                                 | 11                                 |
| Audit expenses                                      | 48                                 | 62                                 |
| Tax, duty and charge expenses                       | 3                                  | 3                                  |
| Quotation expenses                                  | 5                                  | 3                                  |
| Other   | 73                                 | 250                                |
| <b>Total</b>  | <b>2,532</b>                       | <b>2,182</b>                       |

The details of personnel expenses that are included in general administrative expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|   | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|---|------------------------------------|------------------------------------|
| Wages and salaries                                  | 1,520                              | 1,216                              |
| Social security premium expenses – employer’s share | 121                                | 102                                |
| Employee termination benefit provision expenses     | 65                                 | 59                                 |
| Other   | 92                                 | 88                                 |
| <b>Total</b>  | <b>1,798</b>                       | <b>1,465</b>                       |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***27. Other operating income**

The details of other operating income that belong to for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|  | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|--|------------------------------------|------------------------------------|
| Foreign currency exchange income                 | 610                                | 881                                |
| Employee termination benefit cancellation income | 141                                | 115                                |
| Interest received from banks                     | 79                                 | 107                                |
| Other  | 121                                | 57                                 |
| <b>Total</b>                                     | <b>951</b>                         | <b>1,160</b>                       |

**28. Other operating expenses**

The details of other operating expenses for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|                                  | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|----------------------------------|------------------------------------|------------------------------------|
| Foreign currency exchange losses | 455                                | 628                                |
| <b>Total</b>                     | <b>455</b>                         | <b>628</b>                         |

**29. Income/expenses from investment activities**

The details of income/expenses from investment activities for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|   | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|---|------------------------------------|------------------------------------|
| Foreign currency translation adjustments cancellation income from subsidiary sale (*) | 14,968                             | -                                  |
| Dividend income   | 60                                 | -                                  |
| <b>Total</b>  | <b>15,028</b>                      | <b>-</b>                           |

(\*) On 6 June 2018, 100% shares of Zeyno owned by the Company were transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno as subsidiary and has not been consolidated financial statements, foreign currency translation differences cancellation income arises from the loss of control of Zeyno which are carried in other comprehensive income for Zeyno.

The details of expenses from investment activities for the periods ended 30 June 2018 are as follows:

|                               | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|-------------------------------|------------------------------------|------------------------------------|
| Loss on sales of subsidiaries | 726                                | -                                  |
| <b>Total</b>                  | <b>726</b>                         | <b>-</b>                           |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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#### 30. Financial income and expenses

The Company does not have any financial income for the periods ended 30 June 2018 and 30 June 2017. The details of finance expenses for the years ended 30 June 2018 and 30 June 2017 are as follows:

|  | 1 January-<br>30 June 2018 | 1 January-<br>30 June 2017 |
|--|----------------------------|----------------------------|
| Foreign currency exchange losses from borrowings | 15,461                     | 3                          |
| Interest expense                                 | 8,294                      | 7,074                      |
| Other financial expenses                         | 44                         | 41                         |
| <b>Total</b>                                     | <b>23,799</b>              | <b>7,118</b>               |

#### 31. Tax assets and liabilities

##### Corporation Tax

As at 30 June 2018, corporation tax rate is 22% (31 December 2017: 20%). According to the provisional Article 10 of the Law No. 7061 of 5 December 2017, numbered 30261, “Amendments to Certain Tax Laws and Some Other Laws” and the Law No. 5520 on Corporate Income Tax Law, it is foreseen that the corporation tax that should be paid over the profits of the tax years 2018, 2019 and 2020 will be calculated as 22% and the tax will be continued with 20%. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 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 30 June 2018, the advance tax rate is 22% (31 December 2017: 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 22 July 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. The Income Tax Withholding amount of the Company, did not calculate based on Investment allowance belonging to period before 24 April 2003, as at 30 June 2018 and the final payment amount shall be the amount accrued through 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.

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#### **31. Tax assets and liabilities (continued)**

##### ***Investment Incentives (continued)***

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.

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 118,829 thousand, which belongs to period before 24 April 2003, as at 30 June 2018. 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. As at 30 June 2017, the Company has no used investment allowance which belongs to period before 24 April 2003 and withholding tax related to investment allowance and the final payment amount shall be the amount accrued through Corporate Tax Declaration.

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 30 June 2018, the Group will be able to use the unused investment discount that amounts to TL 118,829 (31 December 2017: TL 109,332) 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.



**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***31. Tax assets and liabilities (continued)****Transfer Pricing (continued)**

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.

The tax provisions for the periods ended 30 June 2018 and 30 June 2017 consist of the following:

| <b>Current period income tax</b>                     | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|--|------------------------------------|------------------------------------|
| Current period corporation tax income/(expenses) (*) | 2,914                              | 32                                 |
| Deferred tax income/(expenses)                       | 626                                | 238                                |
| <b>Total tax income/(expenses)</b>                   | <b>3,540</b>                       | <b>270</b>                         |

(\*) Current period corporation tax income arises from the foreign exchange differences of due from subsidiaries and recognised in the profit or loss statement of the Company and affect the current period taxation. There is no deferred tax effect of these receivables and current period tax.

For the periods ended 30 June 2018 and 30 June 2017, 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:

|  | <b>1 January-<br/>30 June 2018</b> | <b>1 January-<br/>30 June 2017</b> |
|--|------------------------------------|------------------------------------|
| Profit/(loss) before the reported tax                                    | (5,152)                            | (7,313)                            |
| Tax calculated based on the reported profit/loss                         | 1,133                              | 1,463                              |
| Amount of disallowable expenses  | (142)                              | (90)                               |
| Amount of tax exempt income  | 205                                | 88                                 |
| Subsidiary tax effect (*)  | (507)                              | (1,149)                            |
| Effect of cash dividend income   | 13                                 | -                                  |
| Effect of profit/loss of sale of held for sale non-current asset (**)    | 3,293                              | -                                  |
| Effect of corporation tax exemption on profit of subsidiary shares sales | (269)                              | -                                  |
| Other  | (186)                              | (42)                               |
| <b>Tax income/(expense)</b>  | <b>3,540</b>                       | <b>270</b>                         |

(\*) The Company's subsidiaries are exempt from tax according to the laws of the country they are registered. The current or prior period profits of subsidiaries are subject to 22% corporate tax in Turkey to be taxed in the current period profit of the Company for the years 2018, 2019 and 2020, in the period when they are recognized as profit by the Company that has 100% capital shares, having been received through dividend distribution in cash or by bonus issue or through share capital increase by bonus issue.

(\*\*) On 6 June 2018, 100% shares of Zeyno owned by the Company were transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno as subsidiary and has not been consolidated financial statements, foreign currency translation differences cancellation income arises from the loss of control of Zeyno which are carried in equity for Zeyno..

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

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### Notes to the consolidated financial statements

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#### 31. Tax assets and liabilities (continued)

As at 30 June 2018 and 31 December 2017, the list of temporary differences and related deferred tax assets and liabilities by using current tax rates are as follows:

|  | 30 June 2018 | 31 December 2017 |
|--|--------------|------------------|
| Tax losses carried   | 1,143        | 574              |
| Provision for doubtful receivables                                     | 521          | 449              |
| Employee termination benefits and other employee rights <sup>(*)</sup> | 142          | 157              |
| <b>Deferred tax asset</b>  | <b>1,806</b> | <b>1,180</b>     |
| <b>Deferred tax liability</b>  | <b>-</b>     | <b>-</b>         |
| <b>Deferred tax asset, net</b>   | <b>1,806</b> | <b>1,180</b>     |

The corporate tax rate for corporate earnings for 2018, 2019 and 2020 periods will be applied as 22%. Since this change will be effective in taxation of the periods beginning on 1 January 2018, 22% is used for the temporary differences which are likely to be recovered in 2018, 2019 and 2020, and 20% is used for the part which are likely to be recovered over three years in the calculation of deferred tax.

As at 30 June 2018 and 31 December 2017, deferred tax asset movement is as follows:

|  | 30 June 2018 | 31 December 2017 |
|--|--------------|------------------|
| Opening balance  | 1,180        | 527              |
| Deferred tax income/(expense) that is recognized in profit or loss | 626          | 647              |
| Deferred tax that is recognized in shareholders' equity            | -            | 6                |
| <b>Balance at the end of period</b>                                | <b>1,806</b> | <b>1,180</b>     |

#### 32. Earnings/(losses) per share

Earnings/(losses) per share calculation for the periods ended 30 June 2018 and 30 June 2017 are as follows:

|  | 1 January-<br>30 June 2018 | 1 January-<br>30 June 2017 |
|--|----------------------------|----------------------------|
| Net loss for the period                                    | (1,612)                    | (7,043)                    |
| Weighted average number of ordinary shares <sup>(*)</sup>  | 49,366                     | 49,366                     |
| <b>Basic earnings/(losses) expressed in 1 TL per share</b> | <b>(0.033)</b>             | <b>(0.143)</b>             |

<sup>(\*)</sup> 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. As at 30 June 2018, the Company has repurchased TL 2,815 nominal value of C group shares amounting to TL 2,601 as at 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.

## **GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

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

#### **33.1 Financial risk management purposes and policies (continued)**

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.

##### **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 Groups 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.

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

**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;

|              | <b>30 June<br/>2018</b> | <b>%</b>   | <b>31 December<br/>2017</b> | <b>%</b>   |
|--------------|-------------------------|------------|-----------------------------|------------|
| Textile      | 23                      | 100        | 21                          | 100        |
| <b>Total</b> | <b>23</b>               | <b>100</b> | <b>21</b>                   | <b>100</b> |

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

**33.2 Disclosures related to financial risk management (continued)**

**33.2.1 Credit risk (continued)**

As at 30 June 2018 and 31 December 2017, the assets of the Company which are qualified as credits exposed to credit risk are as in the following table:

|  | Receivables originating from<br>finance sector activities |               | Trade and other receivables |               | Deposit in the<br>banks |
|--|---|---------------|-----------------------------|---------------|-------------------------|
|  | Related<br>parties  | Third parties | Related<br>parties          | Third parties |                         |
| <b>30 June 2018</b>  |   |               |                             |               |                         |
| <b>Maximum loan risks to be endured as at the end of the reporting period<br/>(A+B+C+D+E)</b>  | -   | <b>23</b>     | <b>4,215</b>                | <b>4,592</b>  | <b>35,486</b>           |
| A. Net book value of the financial assets which are undue and have not been impaired   | -   | -             | 4,215                       | 4,592         | 35,486                  |
| B. Net book value of the financial assets conditions of which have been re-negotiated and<br>which will otherwise be considered as due or impaired | -   | -             | -                           | -             | -                       |
| C. Net book value of the assets which are due but have not been impaired   | -   | 23            | -                           | -             | -                       |
| - portion guaranteed by securities etc.  | -   | 23            | -                           | -             | -                       |
| D. Net book value of impaired assets   | -   | -             | -                           | -             | -                       |
| - Due (gross registered value)   | -   | 3,501         | -                           | 1,980         | -                       |
| - Impairment (-)   | -   | (3,501)       | -                           | (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   | -   | -             | -                           | -             | -                       |

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

**33.2 Disclosures related to financial risk management (continued)**

**33.2.1 Credit risk (continued)**

|  | Receivables<br>originating from<br>finance sector<br>activities |               | Trade and other receivables |                  | Deposit in the<br>banks |
|--|---|---------------|-----------------------------|------------------|-------------------------|
|  | Related<br>parties  | Third parties | Related<br>parties          | Third<br>parties |                         |
| <b>31 December 2017</b>  |   |               |                             |                  |                         |
| <b>Maximum loan risks to be endured as at the end of the reporting period<br/>(A+B+C+D+E)</b>  | -   | <b>21</b>     | -                           | <b>3,125</b>     | <b>27,632</b>           |
| A. Net book value of the financial assets which are undue and have not been impaired   | -   | -             | -                           | 3,125            | 27,632                  |
| B. Net book value of the financial assets conditions of which have been re-negotiated<br>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   | -   | 21            | -                           | -                | -                       |
| - portion guaranteed by securities etc.  | -   | 21            | -                           | -                | -                       |
| D. Net book value of impaired assets   | -   | -             | -                           | -                | -                       |
| - Due (gross registered value)   | -   | 3,142         | -                           | 1,980            | -                       |
| - Impairment (-)   | -   | (3,142)       | -                           | (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   | -   | -             | -                           | -                | -                       |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(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 Disclosures related to financial risk management (continued)****33.2.2 Liquidity risk**

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

**30 June 2018**

| <b>Due Dates In Relation to the Contract</b> | <b>Carrying value</b> | <b>Sum of cash outflow in relation to the contract</b> | <b>Less than 3 months</b> | <b>Between 3-12 months</b> | <b>Between 1-5 years</b> | <b>More than 5 years</b> |
|--|-----------------------|--|---------------------------|----------------------------|--------------------------|--------------------------|
| <b>Non-derivative Financial Liabilities</b>  | <b>256,320</b>        | <b>(283,722)</b>                                       | <b>(14,008)</b>           | <b>(61,190)</b>            | <b>(207,619)</b>         | <b>(905)</b>             |
| Bank loans                                   | 254,869               | (282,271)  | (12,557)                  | (61,190)                   | (207,619)                | (905)                    |
| Payables from finance sector activities      | 47                    | (47)   | (47)                      | -                          | -                        | -                        |
| Trade payables                               | 1,272                 | (1,272)  | (1,272)                   | -                          | -                        | -                        |
| Other payables                               | 132                   | (132)  | (132)                     | -                          | -                        | -                        |

**31 December 2017**

| <b>Due Dates In Relation to the Contract</b> | <b>Carrying value</b> | <b>Total cash outflow in relation to the contract</b> | <b>Up to 3 months</b> | <b>Between 3-12 months</b> | <b>Between 1-5 years</b> | <b>More than 5 years</b> |
|--|-----------------------|---|-----------------------|----------------------------|--------------------------|--------------------------|
| <b>Non-derivative Financial Liabilities</b>  | <b>287,761</b>        | <b>(318,271)</b>                                      | <b>(12,077)</b>       | <b>(30,091)</b>            | <b>(273,829)</b>         | <b>(2,274)</b>           |
| Bank loans                                   | 286,841               | (317,351)   | (11,157)              | (30,091)                   | (273,829)                | (2,274)                  |
| Payables from finance sector activities      | 94                    | (94)  | (94)                  | -                          | -                        | -                        |
| Trade payables                               | 686                   | (686)   | (686)                 | -                          | -                        | -                        |
| Other payables                               | 140                   | (140)   | (140)                 | -                          | -                        | -                        |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

(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.

| <b>Interest rate position table</b>                 |                     |                         |
|---|---------------------|-------------------------|
| <b>Financial instruments with fixed interest</b>    | <b>30 June 2018</b> | <b>31 December 2017</b> |
| Finance lease receivables                           | 23                  | 21                      |
| Time deposits                                       | 32,613              | 13,905                  |
| Bank loans  | 119,812             | 127,034                 |
| <b>Financial instruments with floating interest</b> |                     |                         |
| Bank loans  | 135,057             | 159,807                 |

##### 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 period would have been TL 89 higher/lower on 30 June 2018 (31 December 2017: TL 86).



**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**

**Notes to the consolidated financial statements**

**As at 30 June 2018**

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

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

**33.2.3 Market risk (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 30 June 2018 and 31 December 2017. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

|  | Foreign currency position chart |                           |                            |                                |                        |                           |                            |                             |
|--|---------------------------------|---------------------------|----------------------------|--------------------------------|------------------------|---------------------------|----------------------------|-----------------------------|
|  | 30 June 2018                    |                           |                            |                                | 31 December 2017       |                           |                            |                             |
|  | Total TL<br>Equivalent          | USD (in<br>Turkish Liras) | Euro (in<br>Turkish Liras) | Other (in<br>Turkish<br>Liras) | Total TL<br>Equivalent | USD (in<br>Turkish Liras) | Euro (in<br>Turkish Liras) | Other (in<br>Turkish Liras) |
| 1. Trade Receivables   | 4,590                           | 4,590                     | -                          | -                              | 3,123                  | 3,123                     | -                          | -                           |
| 2a. Monetary financial assets (including cash and bank accounts)   | 35,429                          | 35,408                    | 21                         | -                              | 27,616                 | 27,598                    | 18                         | -                           |
| 2b. Non monetary financial assets  | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 3. Other   | 1,906                           | 1,906                     | -                          | -                              | 1,841                  | 1,836                     | 5                          | -                           |
| <b>4. Current assets (1+2+3)</b>   | <b>41,925</b>                   | <b>41,904</b>             | <b>21</b>                  | <b>-</b>                       | <b>32,580</b>          | <b>32,557</b>             | <b>23</b>                  | <b>-</b>                    |
| 5. Trade receivables   | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 6a. Monetary financial assets  | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 6b. Non monetary financial assets  | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 7. Other   | 315,521                         | 315,521                   | -                          | -                              | 345,586                | 345,586                   | -                          | -                           |
| <b>8. Non-current assets (5+6+7)</b>   | <b>315,521</b>                  | <b>315,521</b>            | <b>-</b>                   | <b>-</b>                       | <b>345,586</b>         | <b>345,586</b>            | <b>-</b>                   | <b>-</b>                    |
| <b>9. Total assets (4+8)</b>   | <b>357,446</b>                  | <b>357,425</b>            | <b>21</b>                  | <b>-</b>                       | <b>378,166</b>         | <b>378,143</b>            | <b>23</b>                  | <b>-</b>                    |
| 10. Trade payables   | 1,119                           | 1,119                     | -                          | -                              | 597                    | 597                       | -                          | -                           |
| 11. Financial liabilities  | 42,102                          | 42,086                    | 16                         | -                              | 31,257                 | 31,243                    | 14                         | -                           |
| 12a. Other (Monetary)  | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 12b. Other (Non monetary)  | 951                             | 951                       | -                          | -                              | 834                    | 834                       | -                          | -                           |
| <b>13. Short-term liabilities(10+11+12)</b>  | <b>44,172</b>                   | <b>44,156</b>             | <b>16</b>                  | <b>-</b>                       | <b>32,688</b>          | <b>32,674</b>             | <b>14</b>                  | <b>-</b>                    |
| 14. Trade payables   | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 15. Financial Liabilities  | 184,556                         | 184,556                   | -                          | -                              | 255,615                | 255,615                   | -                          | -                           |
| 16 a. Other (Monetary)   | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| 16 b. Other (Non monetary)   | -                               | -                         | -                          | -                              | -                      | -                         | -                          | -                           |
| <b>17. Long-term liabilities (14+15+16)</b>  | <b>184,556</b>                  | <b>184,556</b>            | <b>-</b>                   | <b>-</b>                       | <b>255,615</b>         | <b>255,615</b>            | <b>-</b>                   | <b>-</b>                    |
| <b>18. Total liabilities (13+17)</b>   | <b>228,728</b>                  | <b>228,712</b>            | <b>16</b>                  | <b>-</b>                       | <b>288,303</b>         | <b>288,289</b>            | <b>14</b>                  | <b>-</b>                    |
| <b>19. Net Asset/(Liability) Position of the Off-Balance Sheet Foreign Currency Derivative Instruments (19a-19b)</b> | <b>-</b>                        | <b>-</b>                  | <b>-</b>                   | <b>-</b>                       | <b>-</b>               | <b>-</b>                  | <b>-</b>                   | <b>-</b>                    |
| <b>19b. Sum of the Off-Balance Sheet Foreign Currency Derivative Products with Passive Character</b>                 | <b>-</b>                        | <b>-</b>                  | <b>-</b>                   | <b>-</b>                       | <b>-</b>               | <b>-</b>                  | <b>-</b>                   | <b>-</b>                    |
| <b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>   | <b>128,718</b>                  | <b>128,713</b>            | <b>5</b>                   | <b>-</b>                       | <b>89,863</b>          | <b>89,854</b>             | <b>9</b>                   | <b>-</b>                    |
| <b>21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>           | <b>(187,758)</b>                | <b>(187,763)</b>          | <b>5</b>                   | <b>-</b>                       | <b>(256,730)</b>       | <b>(256,734)</b>          | <b>4</b>                   | <b>-</b>                    |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi****Notes to the consolidated financial statements****As at 30 June 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***33. The nature and level of the risks that stem from financial instruments (continued)****33.2.3 Market risk (continued)****Foreign currency risk(continued)**

As at 30 June 2018 and 31 December 2017, all other variables remain constant according to the values of foreign currencies against TL, based on 10% more valuable or worthless assumptions with the values currently carried by the items including the derivative financial assets and liabilities, if any, in the consolidated statement of financial position the Group's consolidated profit/loss and the consolidated exchange rate sensitivity analysis reflecting the changes in consolidated shareholders' equity of the Group where the exchange rates increase or decrease in the specified ratio will be presented in the following tables.

| <b>Foreign Exchange Rate Sensitivity Analysis Table</b> |                                     |                                     |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>30 June 2018</b>                                     |                                     |                                     |                                     |                                     |
|   | <b>Profit/(Loss)</b>                |                                     | <b>Equity</b>                       |                                     |
|   | <b>Foreign currency appreciates</b> | <b>Foreign currency depreciates</b> | <b>Foreign currency appreciates</b> | <b>Foreign currency depreciates</b> |
| Change of USD by 10% against TL:                        |                                     |                                     |                                     |                                     |
| 1. USD net asset/liability                              | (1,617)                             | 1,617                               | 15,163                              | (15,163)                            |
| 2. Secured portion from USD risk (-)                    | -                                   | -                                   | -                                   | -                                   |
| Change of EUR by 10% against TL:                        |                                     |                                     |                                     |                                     |
| 3. Euro net asset/liability                             | 1                                   | (1)                                 | -                                   | -                                   |
| 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(-)        | -                                   | -                                   | -                                   | -                                   |

| <b>Foreign Exchange Rate Sensitivity Analysis Table</b> |                                     |                                     |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>31 December 2017</b>                                 |                                     |                                     |                                     |                                     |
|   | <b>Profit/(Loss)</b>                |                                     | <b>Equity</b>                       |                                     |
|   | <b>Foreign currency appreciates</b> | <b>Foreign currency depreciates</b> | <b>Foreign currency appreciates</b> | <b>Foreign currency depreciates</b> |
| Change of USD by 10% against TL:                        |                                     |                                     |                                     |                                     |
| 1. USD net asset/liability                              | (5,851)                             | 5,851                               | 16,164                              | (16,164)                            |
| 2. Secured portion from USD risk (-)                    | -                                   | -                                   | -                                   | -                                   |
| Change of EUR by 10% against TL:                        |                                     |                                     |                                     |                                     |
| 3. Euro net asset/liability                             | 1                                   | (1)                                 | -                                   | -                                   |
| 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(-)        | -                                   | -                                   | -                                   | -                                   |

**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.

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

### Notes to the consolidated financial statements

As at 30 June 2018

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

#### 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.

The 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 30 June 2018 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.

Carrying and fair values of the financial assets and liabilities which are not reflected at their fair values in the financial statements as at 30 June 2018 and 31 December 2017 are shown in the table below:

|  | 30 June 2018   |            | 31 December 2017 |            |
|--|----------------|------------|------------------|------------|
|  | Carrying value | Fair value | Carrying value   | Fair value |
| <b>Financial assets and liabilities</b>    |                |            |                  |            |
| Cash and cash equivalents                  | 35,486         | 35,486     | 27,634           | 27,634     |
| Trade receivables                          | 4,590          | 4,590      | 3,123            | 3,123      |
| Other receivables                          | 4,217          | 4,217      | 2                | 2          |
| Receivables from finance sector activities | 23             | 23         | 21               | 21         |
| Payables from finance sector activities    | 47             | 47         | 94               | 94         |
| Trade payables                             | 1,272          | 1,272      | 686              | 686        |
| Other payables                             | 132            | 132        | 140              | 140        |
| Borrowings                                 | 254,869        | 254,867    | 286,841          | 286,863    |

##### *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).

As at the 30 June 2018, there is no financial investment carried at fair value (31 December 2017: None).

#### 35. Events after the reporting period

Between 30 June 2018 and the approval date of the financial statements dated 17 August 2018, the Turkish Lira depreciated significantly against the major foreign currencies. The depreciation was 24% against the USD and 22% against the Euro.

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**  
**Supplementary Information Convenience Translation to US Dollar**  
**As at 30 June 2018**

**36. Convenience conversion of financials**

The US Dollar ("USD") amounts shown in the statement of financial position and statement of profit or loss and other comprehensive income 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 4.5607 TL/USD prevailing on 30 June 2018. For the prior year's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 3.7719 TL/USD prevailing on 31 December 2017. 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 financial position (Balance sheet)**  
**As at 30 June 2018**

(Amounts expressed in thousands of US Dollar ("USD") unless otherwise stated.)

|  | <b>Reviewed</b>     | <b>Audited</b>          |
|--|---------------------|-------------------------|
|  | <b>30 June 2018</b> | <b>31 December 2017</b> |
| <b>Assets</b>                              |                     |                         |
| <b>Current assets</b>                      | <b>10,332</b>       | <b>8,836</b>            |
| Cash and cash equivalents                  | 7,781               | 7,326                   |
| Trade receivables                          | 1,006               | 828                     |
| - Due from third parties                   | 1,006               | 828                     |
| Receivables from finance sector activities | 5                   | 6                       |
| - Due from third parties                   | 5                   | 6                       |
| Other receivables (net)                    | 925                 | 1                       |
| - Due from related parties                 | 924                 | -                       |
| - Due from third parties                   | -                   | 1                       |
| Inventories (net)                          | 170                 | 257                     |
| Prepaid expenses                           | 260                 | 239                     |
| - Due from third parties                   | 260                 | 239                     |
| Current income tax assets                  | 3                   | 1                       |
| Other current assets                       | 165                 | 158                     |
| - Due from related parties                 | 20                  | -                       |
| - Due from third parties                   | 145                 | 158                     |
| <b>Subtotal</b>                            | <b>10,316</b>       | <b>8,816</b>            |
| Assets held for sale                       | 17                  | 20                      |
| <b>Non-current assets</b>                  | <b>69,895</b>       | <b>92,326</b>           |
| Financial investments                      | 211                 | 255                     |
| Tangible assets                            | 69,288              | 91,758                  |
| - Vehicles                                 | 69,279              | 91,750                  |
| - Furnite and fixtures                     | 8                   | 8                       |
| Deferred tax assets                        | 396                 | 313                     |
| <b>Total assets</b>                        | <b>80,277</b>       | <b>101,162</b>          |

**GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**  
**Consolidated statement of financial position (Balance sheet)**  
**As at 30 June 2018**

(Amounts expressed in thousands of US Dollar (“USD”) unless otherwise stated.)

|  | Reviewed      | Audited          |
|--|---------------|------------------|
|  | 30 June 2018  | 31 December 2017 |
| <b>Liabilities</b>   |               |                  |
| <b>Current liabilities</b>   | <b>15,964</b> | <b>8,786</b>     |
| Short term financial borrowings  | 1,011         | 2,160            |
| Due to related parties   | 1,011         | -                |
| - Bank loans   | 1,011         | -                |
| Due to third parties   | -             | 2,160            |
| - Bank loans   | -             | 2,160            |
| Short term portion of long term financial liabilities  | 14,406        | 6,119            |
| Due to third parties   | 14,406        | 6,119            |
| - Bank loans   | 14,406        | 6,119            |
| Trade payables   | 279           | 182              |
| - Due to related parties   | 5             | 3                |
| - Due to third parties   | 274           | 179              |
| Payables from finance sector activities  | 10            | 25               |
| - Due to third parties   | 10            | 25               |
| Other payables   | 29            | 37               |
| - Due to third parties   | 29            | 37               |
| Deferred income  | 209           | 221              |
| - Due to third parties   | 209           | 221              |
| Current income tax liabilities   | --            | --               |
| Short term provisions  | 20            | 42               |
| - Provisions for employee benefits   | 20            | 42               |
| <b>Non-current liabilities</b>   | <b>40,601</b> | <b>67,930</b>    |
| Long-term financial liabilities  | 40,467        | 67,769           |
| Due to related parties   | 5,182         | 7,506            |
| - Bank loans   | 5,182         | 7,506            |
| Due to third parties   | 35,284        | 60,263           |
| - Bank loans   | 35,284        | 60,263           |
| Long term provisions   | 134           | 161              |
| - Provisions for employee benefits   | 134           | 161              |
| <b>Equity</b>  | <b>23,662</b> | <b>24,446</b>    |
| Paid-in share capital  | 11,441        | 13,834           |
| Adjustment to share capital  | 5,281         | 6,385            |
| Repurchase of shares (-)   | (570)         | (690)            |
| Premium on the shares/discount   | (31)          | (37)             |
| Effect of merger under common control  | (2,671)       | (3,229)          |
| Accumulated other comprehensive income that will not be reclassified to profit or loss         | -             | (7)              |
| - Gains/losses from the revaluation and reclassification                                       | -             | (7)              |
| Accumulated other comprehensive income that may be reclassified subsequently to profit or loss | 21,204        | 21,047           |
| - Currency translation differences   | 21,204        | 21,047           |
| Restricted reserves  | 4,064         | 4,914            |
| Prior years' profits/(losses)  | (14,702)      | (13,651)         |
| Net profit / (loss) for the period   | (353)         | (4,120)          |
| <b>Total equity and liabilities</b>  | <b>80,227</b> | <b>101,162</b>   |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

## Consolidated statement of profit or loss

## For the interim period ended 30 June 2018

*(Amounts expressed in thousands of US Dollar ("USD") unless otherwise stated.)*

|   | Reviewed<br>1 January-<br>30 June<br>2018 | Not reviewed<br>1 April-<br>30 June<br>2018 | Reviewed<br>1 January-<br>30 June<br>2017 | Not reviewed<br>1 April-<br>30 June<br>2017 |
|---|---|---|---|---|
| <b>Continuing operations</b>                                      |   |   |   |   |
| Marine sector revenues  | 7,759                                     | 3,967                                       | 7,728                                     | 3,887                                       |
| Marine sector expenses (-)  | (6,287)                                   | (3,164)                                     | (7,292)                                   | (3,702)                                     |
| <b>Gross profit/(loss) of marine sector activities</b>            | <b>1,472</b>                              | <b>804</b>                                  | <b>436</b>                                | <b>185</b>                                  |
| <b>Gross profit/(loss) from trading activities</b>                | <b>1,472</b>                              | <b>804</b>                                  | <b>436</b>                                | <b>185</b>                                  |
| <b>Finance sector operating income</b>                            | <b>6</b>                                  | <b>3</b>                                    | <b>3</b>                                  | <b>1</b>                                    |
| Foreign exchange gain   | -   | -   | 1   | 1   |
| Interest income   | 6   | 3   | 2   | --  |
| Finance sector other operating income                             | -   | -   | --  | --  |
| <b>Cost of finance sector activities (-)</b>                      | <b>(79)</b>                               | <b>(50)</b>                                 | <b>(23)</b>                               | <b>(2)</b>                                  |
| Finance sector provision expense                                  | (79)                                      | (50)  | (23)                                      | (1)   |
| Other finance sector operating income/(expenses), net             | --  | --  | 20  | (1)   |
| <b>Gross profit/ (loss) from finance sector activities</b>        | <b>(73)</b>                               | <b>(47)</b>                                 | <b>416</b>                                | <b>184</b>                                  |
| <b>Gross profit/(loss)</b>  | <b>1,399</b>                              | <b>756</b>                                  | <b>(622)</b>                              | <b>(346)</b>                                |
| General administrative expenses (-)                               | (555)                                     | (301)                                       | 330                                       | 67  |
| Other operating income  | 209                                       | 129   | (179)                                     | (41)  |
| Other operating expenses (-)                                      | (100)                                     | (95)  | (55)                                      | (136)                                       |
| <b>Operating profit/ (loss)</b>                                   | <b>953</b>                                | <b>490</b>                                  | <b>--</b>                                 | <b>--</b>                                   |
| Income from investment activities                                 | 3,295                                     | 3,282                                       |   |   |
| Expense from investment activities (-)                            | (159)                                     | (159)                                       | (55)                                      | (136)                                       |
| <b>Operating profit/(loss) before financial income (expenses)</b> | <b>4,089</b>                              | <b>3,613</b>                                | <b>--</b>                                 | <b>--</b>                                   |
| Financial expenses (-)  | (5,218)                                   | (3,664)                                     | (2,030)                                   | (56)  |
| <b>Profit/ (loss) before tax from continued operations</b>        | <b>(1,130)</b>                            | <b>(51)</b>                                 | <b>(2,085)</b>                            | <b>(192)</b>                                |
| <b>Tax income/expenses of continued operations</b>                | <b>776</b>                                | <b>597</b>                                  | <b>77</b>                                 | <b>(109)</b>                                |
| - Taxation on income / (expenses)                                 | 639                                       | 502   | 9   | (170)                                       |
| - Deferred tax income / (expenses)                                | 137                                       | 95  | 68  | 61  |
| <b>Profit/(loss) for the period</b>                               | <b>(353)</b>                              | <b>546</b>                                  | <b>(2,008)</b>                            | <b>(301)</b>                                |
| <b>Earnings / (losses) per share</b>                              | <b>(0.007)</b>                            | <b>0.011</b>                                | <b>(0.04)</b>                             | <b>(0.01)</b>                               |

## GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

## Consolidated statement of profit or loss

## For the interim period ended 30 June 2018

*(Amounts expressed in thousands of US Dollar ("USD") unless otherwise stated.)*

|   | Reviewed<br>1 January-<br>30 June<br>2018 | Not reviewed<br>1 April-<br>30 June<br>2018 | Reviewed<br>1 January-<br>30 June<br>2017 | Not reviewed<br>1 April-<br>30 June<br>2017 |
|---|---|---|---|---|
| <b>Profit / (loss) for the period</b>   | <b>(353)</b>                              | <b>546</b>                                  | <b>(2,008)</b>                            | <b>(301)</b>                                |
| <b>Other comprehensive income/(expenses)</b>  |   |   |   |   |
| <b><i>Other comprehensive income or expenses not to be reclassified to profit or loss</i></b> |   |   |   |   |
| Gains/losses from revaluation of defined benefits   | -   | -   | (10)                                      | (7)   |
|   | -   | -   | (10)                                      | (7)   |
| <b><i>To be reclassified as profit or loss</i></b>  | <b>3,798</b>                              | <b>2,272</b>                                | <b>(173)</b>                              | <b>(1,703)</b>                              |
| Currency translation differences  | 3,798                                     | 2,272                                       | (173)                                     | (1,703)                                     |
| <b>Other comprehensive income / (expense) (net of tax)</b>                                    | <b>3,798</b>                              | <b>2,272</b>                                | <b>(183)</b>                              | <b>(1,710)</b>                              |
| <b>Total comprehensive income / (expense)</b>   | <b>3,444</b>                              | <b>2,818</b>                                | <b>(2,191)</b>                            | <b>(2,011)</b>                              |
| <b>Appropriation of total comprehensive income / (expense)</b>                                | <b>3,444</b>                              | <b>2,818</b>                                | <b>(2,191)</b>                            | <b>(2,011)</b>                              |
| <b>Non-controlling interest</b>   | <b>--</b>                                 | <b>--</b>                                   | <b>--</b>                                 | <b>--</b>                                   |
| <b>Equity holders of the parent</b>   | <b>3,444</b>                              | <b>2,818</b>                                | <b>(2,191)</b>                            | <b>(2,011)</b>                              |