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

Consolidated Financial Statements
As at and For the Year Ended
31 December 2017
With Independent Auditors' Report Thereon

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

12 March 2018

This report contains "Independent Auditors' Report" comprising 5 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 52 pages and 5 pages of supplementary information.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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INDEPENDENT AUDITORS' REPORT

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

A) Audit of the Consolidated Financial Statements

Opinion

We have audited 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 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity

The key audit matter	How the matter was addressed in our audit
Impairment of property, plant and equipment As at 31 December 2017, the ships comprise of 91% of the Company's total assets which are presented in the tangible assets of the Company. The management 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 into account as basis for cash generating units. Ships valuation is assessed as a key audit matter since the ships comprise significant part of the Company's total assets and the valuation methods applied include significant estimates and assumptions. The accounting policies, significant estimates and assumptions used in the determination of impairment of ships are presented in Note 2.5(d) and Note 14.	We performed the following procedures in relation to the impairment of ships: • Evaluation of the valuation model prepared by the management • Evaluation of discount rate and income and expense expectations used in the valuation model • Testing the consistency, appropriateness and mathematical accuracy of estimates and assumptions used in the discounted cash flow calculations used by management to determine recoverable amount.

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 12 March 2018.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.

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

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

Orhan Akova, SMMM
Partner

12 March 2018
Istanbul, Turkey

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position (Balance sheet)
As at 31 December 2017

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

	Notes	**Audited 31 December 2017**	**Audited 31 December 2016**
Assets			
Current assets		**33,329**	**22,822**
Cash and cash equivalents	3	27,634	17,321
Trade receivables	7	3,123	3,017
- Due from third parties	*7.1*	*3,123*	*3,017*
Receivables from finance sector activities	8	21	168
- Due from third parties	*8.1*	*21*	*168*
Other receivables (net)	9	2	173
- Other	*9.1*	*2*	*173*
Inventories (net)	10	970	926
Prepaid expenses	11	900	650
- Due from third parties		*900*	*650*
Current income tax assets	12	5	-
Other current assets	22	598	491
- Due from third parties		*598*	*491*
Subtotal		**33,253**	**22,746**
Assets held for sale	13	76	76
Non-current assets		**348,244**	**339,000**
Financial assets-available for sale	5	962	962
Tangible assets	14	346,102	337,511
- Vehicles		*346,072*	*337,469*
- Furnitures and fixtures		*30*	*42*
Deferred tax assets	31	1,180	527
Total assets		**381,573**	**361,822**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position (Balance sheet)

As at 31 December 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
Liabilities			
Current liabilities		**33,140**	**123,434**
Short-term financial borrowings	16	8,146	15,720
Due to related parties	6	-	9,172
- Bank loans	*16.2*	-	*9,172*
Due to third parties	16.2	8,146	6,548
- Bank loans		*8,146*	*6,548*
Short-term portion of long term financial liabilities	16	23,080	105,028
Due to third parties	16.2	23,080	105,028
- Bank loans	*16.2*	*23,080*	*105,028*
Trade payables	7	686	415
- Due to related parties	*6*	*12*	*11*
- Due to third parties	*7.2*	*674*	*404*
Payables from finance sector activities	8	94	279
- Due to third parties	*8.2*	*94*	*279*
Other payables	9	140	112
- Due to third parties	*9.2*	*140*	*112*
Deferred income	20	834	961
- Due to third parties		*834*	*961*
Current income tax liabilities	31	-	799
Short-term provisions	21	160	120
- Provisions for employee benefits	*21.1*	*160*	*120*
Non-current liabilities		**256,224**	**142,048**
Long-term financial liabilities	16	255,615	141,508
Due to related parties		28,310	-
- Bank loans		*28,310*	-
Due to third parties	16.2	227,305	141,508
- Bank loans	*16.2*	*227,305*	*141,508*
Long-term provisions	21	609	540
- Provisions for employee benefits	*21.2*	*609*	*540*
Equity		**92,209**	**96,340**
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	(25)	(31)
- Gains/losses from the revaluation and reclassification		*(25)*	*(31)*
Accumulated other comprehensive income that may be reclassified subsequently to profit or loss	23.7	79,382	67,949
- Currency translation differences		*79,382*	*67,949*
Restricted reserves	23.8	18,536	14,679
Prior years' profits/(losses)	23.9	(51,489)	(19,256)
Net profit / (loss) for the period		(15,539)	(28,345)
Total equity and liabilities		**381,573**	**361,822**

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss
For the year ended 31 December 2017

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

	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Continuing operations			
Marine sector revenues	24	59,424	33,068
Marine sector expenses (-)	24	(51,958)	(40,798)
Gross profit/(loss) of marine sector activities		**7,466**	**(7,730)**
Gross profit/(loss) from trading activities		**7,466**	**(7,730)**
Finance sector operating income		**12**	**174**
Foreign exchange gain	25	3	4
Interest income	25	7	132
Reversal of provision for finance operations	25	2	38
Cost of finance sector activities (-)		**(274)**	**(493)**
Provision for finance operations	25	(274)	(257)
Other finance sector operating income/(expenses), net	25	-	(236)
Gross profit/(loss) from finance sector activities		**(262)**	**(319)**
Gross profit/(loss)		**7,204**	**(8,049)**
General administrative expenses (-)	26	(4,355)	(3,428)
Other operating income	27	1,927	3,221
Other operating expenses (-)	28	(837)	(1,035)
Operating profit/(loss)		**3,939**	**(9,291)**
Income from investment activities	29	-	1,769
Operating profit/(loss) before financial income (expenses)		**3,939**	**(7,522)**
Financial expenses (-)	30	(21,365)	(23,424)
Profit/(loss) before tax from continued operations		**(17,426)**	**(30,946)**
Tax income/(expenses) of continued operations		**1,887**	**2,601**
- Taxation on income / (expenses)	31	1,240	2,534
- Deferred tax income / (expenses)	31	647	67
Profit/(loss) for the period		**(15,539)**	**(28,345)**
Earnings/(losses) per share	32	**(0.316)**	**(0.555)**

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

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

	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Profit / (loss) for the period		**(15,539)**	**(28,345)**
Other comprehensive income/(expenses)			
Other comprehensive income or expenses not to be reclassified to profit or loss		**(25)**	**(31)**
Gains/losses from revaluation of defined benefits		(25)	(31)
To be reclassified as profit or loss		**11,433**	**28,660**
Currency translation differences	23	11,433	28,374
Fair value changes on financial assets	23	-	286
Other comprehensive income / (expense) (net of tax)		**11,408**	**28,629**
Total comprehensive income / (expense)		**(4,131)**	**284**
Appropriation of total comprehensive income / (expense)		**(4,131)**	**284**
Non-controlling interest		**-**	**-**
Equity holders of the parent		**(4,131)**	**284**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of changes in equity

For the year ended 31 December 2017

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

									Other comprehensive income or expenses not to be reclassified to profit or loss		Other comprehensive income or expenses to be reclassified to profit or loss					Accumulated losses				
	Notes	Paid-in share capital	Adjustment to share capital	Repurchase of shares	Capital adjustment due to cross-ownership	Share Premium/ Discounts	Changes in non-controlling interest reserves	The effect of merger under common control	Gains/losses from the revaluation and reclassification	Other gains /losses	Foreign currency translation adjustment	Hedging gains/ losses	Gains/losses from the revaluation and reclassification of financial assets	Other gains /losses	Restricted reserves	Prior years' profits/(losses)	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Prior period																				
1 January 2016		**52,181**	**24,085**	**-**	**-**	**(140)**	**-**	**(12,181)**	**(30)**	**-**	**39,575**	**-**	**(286)**	**-**	**5,116**	**5,555**	**(15,218)**	**98,657**	**-**	**98,657**
Transfers		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,962**	**(22,180)**	**15,218**	**-**	**-**	**-**
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	-	-	-	-	-	6,962	(22,180)	**15,218**	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**28,374**	**-**	**286**	**-**	**-**	**(30)**	**(28,345)**	**284**	**-**	**284**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,345)	(28,345)	-	(28,345)
Other comprehensive income/(expense)		-	-	-	-	-	-	-	(1)	-	28,374		286	-	-	(30)	-	28,629	-	28,629
Transactions with shareholders accounted under equity		**-**	**-**	**(2,601)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,601**	**(2,601)**	**-**	**(2,601)**	**-**	**(2,601)**
Capital increase and share changes due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The increase / decrease due to repurchase of shares		-	-	(2,601)	-	-	-	-	-	-	-	-	-	-	2,601	(2,601)	-	(2,601)	-	(2,601)
Balance as at 31 December 2016		**52,181**	**24,085**	**(2,601)**	**-**	**(140)**	**-**	**(12,181)**	**(31)**	**-**	**67,949**	**-**	**-**	**-**	**14,679**	**(19,256)**	**(28,345)**	**96,340**	**-**	**96,340**
Current period																				
1 January 2017	*23*	**52,181**	**24,085**	**(2,601)**	**-**	**(140)**	**-**	**(12,181)**	**(31)**	**-**	**67,949**	**-**	**-**	**-**	**14,679**	**(19,256)**	**(28,345)**	**96,340**	**-**	**96,340**
Transfers		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,857**	**(32,202)**	**28,345**	**-**	**-**	**-**
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	-	-	-	-	-	3,857	(32,202)	28,345	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**11,433**	**-**	**-**	**-**	**-**	**(31)**	**(15,539)**	**(4,131)**	**-**	**(4,131)**
Net loss for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,539)	(15,539)	-	(15,539)
Other comprehensive income/(expense)		-	-	-	-	-	-	-	6	-	11,433		-	-	-	(31)	-	11,408	-	11,408
Transactions with shareholders accounted under equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital increase and share changes due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The increase / decrease due to repurchase of shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	*23*	**52,181**	**24,085**	**(2,601)**	**-**	**(140)**	**-**	**(12,181)**	**(25)**	**-**	**79,382**	**-**	**-**	**-**	**18,536**	**(51,489)**	**(15,539)**	**92,209**	**-**	**92,209**

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of cash flows
For the year ended 31 December 2017

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

	Notes	Audited 1 January - 31 December 2017	Restated Audited(*) 1 January - 31 December 2016
Cash Flows (Indirect method)			
Cash flow from operating activities		**36.615**	**23,343**
Profit/(loss) for the period		**(15,539)**	**(28,345)**
Profit/(loss) from continuing operations		(15,539)	(28,345)
Adjustments related with the reconciliation of net profit (loss) for the period:		**19,710**	**(2,939)**
Depreciation and amortization	14,15	18,000	18,074
Provisions		302	196
Provisions for employee benefits		*304*	*234*
Other provisions	*25*	*(2)*	*(38)*
Interest expenses and income		14,728	9,561
Interest income		*(195)*	*(424)*
Interest expenses		*14,923*	*9,985*
Unrealized foreign currency translation differences	23.7	(11,433)	(28,374)
Tax (income)/expenses		(1,887)	(2,601)
Losses/ (gain) arising from the disposal of assets held for sale		-	205
Changes in working capital		**(34.326)**	**56,911**
Changes in financial investments		-	8,506
Changes in trade receivables		(106)	(538)
Changes in trade receivables		*(106)*	*(538)*
Changes in receivables from financial activities		*147*	*(54)*
Changes in other receivables related to operations		171	9
Changes in other receivables		*171*	*9*
Changes in inventories	10	(44)	790
Changes in prepaid expenses	11	(250)	(88)
Changes in trade payables		271	(31)
Changes in due to trade payables		*1*	*(49)*
Changes in other trade payables		*270*	*18*
Change in finance sector payables		(185)	(225)
Adjustments related to the changes in other payables related to operations		28	(74)
Changes in other payables related to operations		*28*	*(74)*
Changes in deferred income		(127)	563
Other changes in working capital		34.421	48,053
Changes in other assets related to operations		*(2.242)*	*(4,897)*
Changes in other liabilities related to operations		*36,663*	*52,950*
Cash flows from operating activities		**38.497**	**25,627**
Interest received		195	424
Employee benefits paid		(195)	(117)
Tax paid		(1,882)	(2,591)
Cash flows from investing activities		**(2.361)**	**(24,100)**
Purchase of tangible assets		(2.361)	(24,100)
Cash flow from financing activities		**(25,916)**	**131**
Cash outflows from repurchase of shares and purchase of other equity instruments		-	(2,601)
Cash outflows from repurchase of shares		-	*(2,601)*
Cash inflows from borrowings		218,136	51,499
Cash inflows from bank loans		*218,136*	*51,499*
Cash outflows from payment of financial borrowings		(225,184)	(42,745)
Cash outflows repayments of bank loans		*(225,184)*	*(42,745)*
Interest paid		(18,868)	(6,022)
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		**8,338**	**(626)**
Effect of change in foreign exchange rate on cash and cash equivalents		1,852	2,953
Net increase/(decrease) in cash and cash equivalents		**10,190**	**2,327**
Cash and cash equivalents at 1 January		**15,550**	**13,223**
Cash and cash equivalents at 31 December	2.5(p)	**25,740**	**15,550**

(*) Refer to Note 2.1.4.

(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 five dry bulk cargo ships, each of them is owned by one of its subsidiaries which were established by the Company with 100% share.

The address of the Company's registered office is Aydınevler Mahallesi, Kaptan Rıfat Sokak, No: 3 Küçükyalı-34854 Maltepe-İstanbul. As at 31 December 2017 the Company has 10 employees (31 December 2016: 10).

As at 31 December 2017 and 31 December 2016 information about shareholders and their percentages are as follows:

	31 December 2017		**31 December 2016**	
	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. (Repurchased shares)	*2,815*	*5.39*	*2,815*	*5.39*
Other	*1*	-	*1*	-
Historical amount	**52,181**	**100.00**	**52,181**	**100.00**
Share capital inflation adjustment differences	*24,085*		*24,085*	
Adjustment for inflation amount	**76,266**		**76,266**	

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

1. Organization and operations of the Company (continued)

As at 31 December 2017 and 31 December 2016 the distribution of the Company’s shares on the basis of group is as follows:

	31 December 2017	31 December 2016
Group A	8,976	8,976
Group B	3,741	3,741
Group C	37,219	37,219
Group D	2,245	2,245
	52,181	**52,181**

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

The Company’s and the Consolidated Group Companies’ Activities

In the consolidated financial statements, the Company and the subsidiaries that are subject to consolidation are described as “the Group”. The subsidiaries that are included in the consolidation as at 31 December 2017, the activity areas and the Group’s shares in these subsidiaries are as follows:

Subsidiary	Country of Establishment	Area of Activity	Final Rate %	
			31 December 2017(**)	31 December 2016(*)
Dodo Maritime Ltd.	Malta	Marine	100,00	100,00
Cano Maritime Ltd.	Malta	Marine	100,00	100,00
Hako Maritime Ltd.	Malta	Marine	100,00	100,00
Zeyno Maritime Ltd.	Malta	Marine	100,00	100,00
Neco Maritime Ltd.	Malta	Marine	100,00	100,00

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

(**)As a result of capital increases on 27 February 2017, the Company's subsidiaries increased their share capitals; Dodo Maritime Ltd.'s capital of USD 12,000 thousand to USD 14,000 thousand, Cano Maritime Ltd.'s capital of USD 11,000 thousand to USD 12,500 thousand, Hako Maritime Ltd.’s capital of USD 9,000 thousand to USD 9,800 thousand and Zeyno Maritime Ltd.’s capital of USD 8,000 thousand to USD 9,500 thousand.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Principles of financial statement preparation and Declaration of Conformity

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

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

The Group's consolidated financial statements to be made public started to be prepared in a consolidated manner in accordance with 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 delivered to 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 delivered to 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.

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 consolited starting from the reporting period 30 September 2016 in accordance with TAS.

The consolidated financial statements of the Group dated 31 December 2017 were approved by the Company's Board of Directors on 12 March 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.

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 finacial 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 functional currency of 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 is US Dollars.

2.1.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

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 reclassed and significant changes are disclosed if necessary.

Reclassifications in 2016 financial statements

Blocked cash amounting to TL 1,454 in the cash and cash equivalents at 1 January and blocked cash amouting to TL 1,760 in the cash and cash equivalents at 31 December has been netted off respectively. Cash and cash equivalents at 1 January amounting TL 13,223 and cash and cash equivalents at 31 December amounting TL 15,550 in the statement of cash flows as at 31 December 2016.

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

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

2.3 Accounting estimates

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

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2017

Standards and interpretations issued but not yet effective

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 15 Revenue from Contracts with Customers

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 15.

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 *Financial Instruments*: *Recognition and Measurement*. It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 9.

TFRS Interpretation 22 – Foreign Currency Transactions and Advance Consideration

TFRS Interpretation 22 "Foreign Currency Transactions and Advance Consideration" has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 22.

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

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that application of these amendments to TFRS 2 will have significant impact on its consolidated financial statements.

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2017(continued)

TAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by POA in December 2017 have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of these amendments to TAS 40 will have significant impact on its consolidated financial statements.

Annual Improvements to TFRSs 2014-2016 Cycle

Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments are effective as at 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

Annual Improvements to TFRSs 2014-2016 Cycle

TFRS 1 "First Time Adoption of Turkish Financial Reporting Standards"

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

TAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

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

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 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 IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2017(continued)

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

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 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. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 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 IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs
IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as at 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 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.

Amendments to IFRS 9 - Prepayment features with negative compensation

On December2017, 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.

2. Basis of presentation of financial statements (continued)

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

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

2.5 Summary of significant accounting policies

(a) Financial instruments

Non – derivative financial instruments

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

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

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

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

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

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.
Liabilities from finance sector operations are recognized on cost values due to their short term nature.

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

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

(b) Tangible Fixed Assets and Depreciation

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

Subsequent costs

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

Depreciation

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

Dry-docking costs include planned major maintenance and overhaul activities for ongoing certification including the inspection, refurbishment and replacement of steel, engine components, electrical, pipes and valves, and other parts of the vessel. The Company has adopted the deferral method of accounting for dry-dock activities whereby costs incurred are deferred and amortized on a straight line basis over the period until the next scheduled dry-dock activity.

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 residual value.

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.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(c) Assets held for sale

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

(d) Impairment of assets

Financial assets

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

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

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

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

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax internal rate of return that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Non-financial assets

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

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

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

(e) Share capital increases

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

(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)

(f) Provision for employee severance payments

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

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

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

	31 December 2017	31 December 2016
Net discount rate	5.99%	4.33%
Expected rate of salary / limit increase	6.00%	6%
Turnover rate to estimate the probability of retirement	100.00%	97.78%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. As the maximum liability is revised semi-annually, amount of full TL 4,732.48 (31 December 2016: full TL 4,297.21) which is effective as at 31 December 2017 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

(g) 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.

(h) 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.

(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.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(i) Taxes on income

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

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

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

(j) Related Parties

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

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (i) The entity and the company are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(k) Earning per share

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

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

(l) Borrowing costs

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

(m) Leases

(i) Operating leases

Leases of tangible assets 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).

(n) Events after the reporting period

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

(o) Segment reporting

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

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(p) Statement of Cash Flows

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

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

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

As at 31 December 2017 and 31 December 2016, cash and cash equivalents details are as follows except the interest income rediscounts and blocked amounts presented in the statement of cash flows.

	31 December 2017	31 December 2016
Cash	2	1
Banks	25,738	15,549
	25,740	**15,550**

(r) Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies operating in the non-finance sectors, have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated 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 31 December 2017 and 31 December 2016 that were used by the Company are as follows;

	31 December 2017	31 December 2016
USD	3.7719	3.5192
EURO	4.5155	3.7099

(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)

(s) Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. The Group's inventories consist of ship oil 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.

(t) Business combination

The merger of these two companies through the acquisition of GSD Dış Ticaret Anonim Şirketi by GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. as a whole with all assets, liabilities and all rights, receivables, payables and obligations, and the merger or these two companies within the body of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is a merger covering jointly controlled entities and therefore is not subject to "TFRS 3 Business Combinations". In accordance with the decree of the Public Oversight, Accounting and Auditing Standards Authority (POA) dated 21 July 2013 in order to eliminate the differences which may occur in the implementation of the accounting policies; since recognition of jointly controlled entities using the pooling of interest method and therefore the exclusion of goodwill in the financial statements, when using the pooling of interests method, the adjustment of financial statements as if the merger was made as at the beginning of the reporting period in which joint control occurred and the comparative presentation as at the beginning of the reporting period in which joint control occurred and seeing from the parent company's point in reflecting the jointly controlled business combinations in the financial statements will be appropriate, it is necessary to restate the financial statement in the consolidation process in accordance with the provisions of TAS on the date on which the company controlling the group acquired the control of the companies with joint control power and after as if preparing financial statements in accordance with TAS including business combination accounting and to use an account of "Effect of Mergers Covering Jointly Controlled Initiatives or Entities" under equity in order to eliminate the possible asset-liability inconsistency to occur due to the merger of jointly controlled entities. As at 31 December 2017, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL 12,181 (31 December 2016: TL 12,181).

3. Cash and cash equivalents

As at 31 December 2017 and 31 December 2016 cash and cash equivalents are as follows;

	31 December 2017	31 December 2016
Cash at banks	27,632	17,320
Demand deposit	*13,727*	*4,248*
Time deposit	*13,905*	*13,072*
Cash on hands	2	1
Total cash and cash equivalents included in the balance sheet	**27,634**	**17,321**
Accrued interest income on cash and cash equivalents	(7)	(11)
Blocked deposits	(1,887)	(1,760)
Total cash and cash equivalents included in the statement of cash flows	**25,740**	**15,550**

As at 31 December 2017, the time deposits comprised bank placements in USD. As at 31 December 2017 interest rate is between 0.70%-4.25% for USD (31 December 2016: 6.50% - 0.01% for TL, 0.225% for USD) denominated bank accounts. The principal portion of the bank loan used to finance the ship purchased 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.

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

4. Financial assets-fair value through profit or loss

As at 31 December 2017 and 31 December 2016, there is no financial assets fair value through profit or loss.

5. Financial assets-available for sale

As at 31 December 2017 and 31 December 2016, financial investments (financial assets available for sale) which are disclosed under non-current assets comprised of shares that are not traded on the stock exchange.

As at 31 December 2017 and 31 December 2016, details of other financial investments are as follows;

	31 December 2017		**31 December 2016**	
	% of shares	**Carrying value**	**% of shares**	**Carrying value**
Not Listed				
GSD Faktoring A.Ş.	1.98	962	1.98	962
		962		**962**

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 2016: 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.

(a) Banks

	31 December 2017	**31 December 2016**
Cash at banks	9,452	2
GSD Yatırım Bankası A.Ş.	*9,452*	*2*
Bank borrowings	28,310	9,172
GSD Yatırım Bankası A.Ş.	*28,310*	*9,172*

b) Other balances and transactions with related parties

As at 31 December 2017 and 31 December 2016, due to related parties are as follows;

	31 December 2017	**31 December 2016**
GSD Holding A.Ş.	12	11
Total	**12**	**11**

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

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

6. Related party disclosures (continued)

Transactions with related parties as at 31 December 2017 and 31 December 2016 are as follows;

Group companies of the parent	31 December 2017	31 December 2016
GSD Yatırım Bankası A.Ş. - Interest income	6	33
GSD Holding A.Ş.- Profit on sale from sold shares	-	1,754
GSD Yatırım Bankası A.Ş. - Banking commission expenses	(1)	(1)
GSD Yatırım Bankası A.Ş. - Share payments	(89)	(61)
GSD Holding - Share payments	(123)	(123)
M. Turgut Yılmaz - Rent expenses	(279)	(260)
GSD Yatırım Bankası A.Ş.- Interest expenses	(912)	(47)

(c) Derivative financial transactions

As at 31 June 2017, the Group does not have any derivative transactions with related parties (31 December 2016: None).

(d) Key management benefits

Total benefit of key management for the period ended 31 December 2017 is TL 1,369 (31 December 2016: TL 1,112).

(e) Other

As at 31 December 2017, GSD Holding has provided surety amounting to TL 573,974 to credit institutions as a guarantee against its open lines of credit (31 December 2016: TL 476,946).

7. Trade receivables and payables

7.1 Trade receivables

As at 31 December 2017 and 31 December 2016, details of trade receivables are as follows;

	31 December 2017	31 December 2016
Trade receivables from marine activities	3,123	3,017
Doubtful trade receivables	1,980	1,980
Provision for doubtful trade receivables	(1,980)	(1,980)
	3,123	**3,017**

As at 31 December 2017 and 31 December 2016, movements in the provision for doubtful trade receivables:

	31 December 2017	31 December 2016
Allowance at the beginning of the year	1,980	1,980
Provision net of recoveries	**-**	**-**
Allowance at the end of period	**1,980**	**1,980**

7.2 Trade payables

As at 31 Decemeber 2017 and 31 December 2016, details of trade payables are as follows;

	31 December 2017	31 December 2016
Trade payables from marine activities	597	184
Trade payables from VAT refund receivables	77	220
Other trade payables (*)	12	11
	686	**415**

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

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

8. Receivables and payables from finance sector activities

8.1 Receivables from finance sector activities

As at 31 December 2017 and 31 December 2016, details of short-term receivables from finance sector operations are as follows;

	31 December 2017	31 December 2016
Finance lease receivables	21	168
Doubtful receivables	3,142	2,870
Provision for doubtful receivables	(3,142)	(2,870)
	21	**168**

The Company does not have long-term receivables from finance sector operations as at 31 December 2017 (31 December 2016: None). The Company's credit, liquidity and market risk exposures resulting from financial sector receivables are disclosed in Note 33.

8.1.1 Finance lease receivables

As at 31 December 2017 and 31 December 2016, details of finance lease receivables are as follows;

	31 December 2017	31 December 2016
Short-term finance lease receivables		
Finance lease receivables, not due	24	172
Unearned interest income (-)	(3)	(4)
Short-term finance lease receivables, net	**21**	**168**
Total finance lease receivables, net	**21**	**168**

8.1.2 Doubtful receivables

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

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

	31 December 2017	31 December 2016
Balance at 1 January	2,870	2,651
Current period provisions	274	257
Current period collections for provision	(2)	(38)
Provision net of recoveries	**272**	**219**
Balance at 31 December	**3,142**	**2,870**

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

8.2 Payables from finance sector activities

As at 31 December 2017 and 31 December 2016, details of payables from finance sector operations are as follows;

	31 December 2017	31 December 2016
Advances received	40	249
Suppliers	54	30
	94	**279**

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

9. Other receivables and payables

9.1 Other receivables

As at 31 December 2017 and 31 December 2016, details of other receivables are as follows;

	31 December 2017	31 December 2016
Other receivables	2	4
Other receivables from finance lease agreements	-	169
	2	**173**

9.2 Other payables

As at 31 December 2017 and 31 December 2016, details of other payables are as follows;

	31 December 2017	31 December 2016
Other tax payables	75	58
Social security premium payables	65	49
Other	-	5
	140	**112**

10. Inventories

As at 31 December 2017 and 31 December 2016, details of inventories are as follows;

	31 December 2017	31 December 2016
Ship oil	825	926
Fuel	145	-
	970	**926**

11. Prepaid expenses

As at 31 December 2017 and 31 December 2016, details of prepaid expenses that are classified in current assets are as follows;

	31 December 2017	31 December 2016
Insurance expenses	584	530
Prepaid loan commission expenses	268	74
Ship annual tonnage tax expenses	27	25
Prepaid miscellaneous expenses	16	15
Ship annual registration fee expenses	5	6
	900	**650**

As at 31 December 2017 and 31 December 2016, there are no prepaid expenses that are not classified in non-current assets.

12. Current income tax assets

As at 31 December 2017, the current assets amounting to TL 5 consist bank deposits and tax deductions from interest income derived from mutual funds which are not yet deducted (31 December 2016: None).

13. Assets held for sale

As at 31 December 2017, assets held for sale amounting to TL 76 comprised of a land which was acquired from certain customers in exchange for finance lease receivables (31 December 2016: TL 76).

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

14. Tangible assets

Movement of tangible assets for the period ended 31 December 2017 are as follows;

	1 January 2017	Additions	Disposals	Currency translation differences	31 December 2017
Cost					
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
	390,106	**2,361**	**-**	**27,904**	**420,371**

	1 January 2017	Current year charge	Disposals	Currency translation differences	31 December 2017
Accumulated depreciation					
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
	52,595	**18,000**	**-**	**3,674**	**74,269**
Net book value	**337,511**				**346,102**

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

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

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

As at 31 December 2017 and 31 December 2016, the ships were pledged to banks in return for the borrowings used for financing the ships (Note 18).

14. Tangible assets (continued)

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has taken the higher value of use determined through fair value whose sales expenses are deducted as amount recoverable and discounted cash flow methods in the impairment calculation made taking each of the dry cargo ships, owned by its five maritime affiliates located in Malta, into account as cash generating units as basis as at 31 December 2017 in accordance with TAS 36 and has not booked a provision for impairment as at 31 December 2017 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 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 31 December 2017, intangible assets of the Company have been fully amortized (31 December 2016: Cost and current year amortization TL 3).

16. Financial liabilities

16.1 Borrowing costs

In the consolidated financial statements of the Group dated 31 December 2017, there is no capitalized borrowing cost. In the consolidated financial statements of the Group dated 31 December 2016, borrowing costs amounting to TL 194, related to acquisition of 1 dry bulk carrier ship registered on Valletta/Malta constructed in 2013 with 32.500 DWT capacity which is owned by Neco Maritime Limited, is booked as down payments for fixed asset acquisition under pre-paid expenses before delivery date of the ship. After delivery date, according to TAS 23 Borrowing Costs, related cost is capitalized as tangible asset on acquisition and production costs of ships.

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

16. Financial liabilities (continued)

16.2 Bank borrowings

As at 31 December 2017 and 31 December 2016 borrowings consist of bank borrowings. Details of bank borrowings are as follows;

		31 December 2017			31 December 2016		
	Currency	**Original amount**	**TL equivalent**	**Interest rate %**	**Original amount**	**TL equivalent**	**Interest rate %**
Fixed interest(*)	TL	-	-	-	15,720	15,720	5.40%-5.50%
Fixed interest	USD	2,160	8,146	5,25%-5.60%	-	-	-
Short-term bank borrowings			**8,146**			**15,720**	
Fixed interest(*)	TL	-	-	-	36,219	36,219	4.50%-5.50%
Fixed interest	USD	1,314	4,955	5.25%-5.60%	15,264	53,716	4.25%-5.40%
Floating interest	USD	4,805	18,125	Libor 3M +2.80%, Libor 3M + 3.15%, Libor 3M + 3.25%	4,289	15,093	Libor 3M + 2.80% -3.15%, Libor 6M + 4.75%
Short-term portion of long-term bank borrowings		**-**	**23,080**			**105,028**	**-**
Fixed interest	USD	30,206	113,933	4.50%-6.50%	-	-	-
Floating interest	USD	37,562	141,682	Libor 3M + 2.80% Libor 3M+3.15% Libor 6M+ 3.25%	40,210	141,508	Libor 3M + 2.80%-3.15%, Libor 6M + 4.75%
Long-term bank borrowings			**255,615**			**141,508**	
Total long-term borrowings			**278,695**			**246,536**	
Total			**286,841**			**262,256**	

(*) As at 31 December 2017 and 31 December 2016, the Group has foreign currency denominated borrowings presented in TL column with a fixed interest rate in the accompanying consolidated statements.

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

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

	31 December 2017		31 December 2016	
	Fixed interest	**Floating interest**	**Fixed interest**	**Floating interest**
Up to 1 year	4,955	18,125	89,935	15,093
Up to 2 years	113,933	17,482	-	14,464
Up to 3 years	-	35,946	-	14,464
Up to 4 years	-	76,278	-	31,690
More than 5 years	-	11,976	-	80,890
	118,888	**159,807**	**89,935**	**156,601**

(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 agreemens. The technical management of the ship is given to a company abroad within agreements by Neco Maritime Limited.

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

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

17.1.2 Leases as lessee

The Group has undergone operating lease agreements as lessee. As at 31 December 2017 and 31 December 2016 contractual operating lease liabilities are as follows;

	31 December 2017	**31 December 2016**
Less than one year	283	239
Between one and five years	71	123
Total	**354**	**362**

For the period ended 31 December 2017, total rent expenses for operating leases amounted to TL 380 recognized in the financial statements (31 December 2016: TL 322).

(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 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017			31 December 2016		
GPMs given by the Company	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**
A. Total Amount of GPMs that were Given on Behalf of Its Own Legal Entity	**85,469**	**-**	**85,469**	**84,705**	**-**	**84,705**
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	6,007	-	6,007	7,287	-	7,287
4. Tangible asset mortgage given as cash collateral surety (*)	51,354	-	51,354	48,241	-	48,241
5. Participation share given as cash collateral surety (*)	28,108	-	28,108	29,177	-	29,177
B. Total Amount of GPMs that was Given in Favor of the Partnerships that were Included in the Scope of Full Consolidation	**348,257**	**-**	**348,257**	**325,101**	**-**	**325,101**
1. Bails given as cash collateral surety (*)	232,607	-	232,607	210,027	-	210,027
2. Tangible asset mortgage given as cash collateral surety (*)	108,455	-	108,455	108,361	-	108,361
3. Bank deposit pledge given as cash collateral (**)	7,195	-	7,195	6,713	-	6,713
C. Total Amount of GPMs that Other Third Parties give With The Purpose of Assuring Debts for Conducting Ordinary Commercial Activities	**-**	**-**	**-**	**-**	**-**	**-**
D. GPMs that were Given the Scope of the Article 12/2 of the Corporate Governance Communiqué	**-**	**-**	**-**	**-**	**-**	**-**
E. Total Amount of the Other GPMs Given	**-**	**-**	**-**	**-**	**-**	**-**
i. Total Amount of GPMs that were Given In Favor of the ultimate shareholder	-	-	-	-	-	-
ii. Total Amount of GPMs that were Given In Favor of Other Group Companies that are not Included in the Scope of Articles B and C	-	-	-	-	-	-
iii. Total Amount of GPMs that were Given In Favor of the Third Parties that are not Included in the Scope of Article C	-	-	-	-	-	-
Total	**433,726**	**-**	**433,726**	**409,806**	**-**	**409,806**

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

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

As at 31 December 2017 and 31 December 2016, Guarantees/Pledges/Mortgages (GPM) consist of letters of guarantee, guarantees, ship mortgage, pledge of share and bails that are given to the following institutions:

	31 December 2017	**31 December 2016**
Banks	433,726	409,806
	433,726	**409,806**

As at 31 December 2017 and 31 December 2016, the Company has no guarantees, pledges or mortgages, except the letters of guarantee presented above, given on behalf of its own legal entity.

As at 31 December 2017, the rate of the other GPMs the Company has given to the Company's shareholders' equity is 0% (31 December 2016: 0%).

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

18. Commitments (continued)

18.2 Guarantees Taken

As at 31 December 2017 and 31 December 2016, the details of the guarantees that were obtained in return for the Company's receivables from finance sector activities are as follows;

	31 December 2017	31 December 2016
Customer promissory notes	182,177	182,177
Mortgages	3,727	4,308
Assignment	420	420
Customer checks	77	77
Letters of guarantee	25	25
	186,426	**187,007**

18.3 Other

As at 31 December 2017, GSD Holding has provided surety amounting to TL 573,974 to credit institutions as a guarantee against its open lines of credit (31 December 2016: TL 476,946).

19. Employee benefit obligations

The Company does not have any employee benefit obligations as at 31 December 2017 (31 December 2016: None).

20. Deferred income

As at 31 December 2017, the amount of deferred income amounting to TL 834 stems from early collection of monthly rents of ships (31 December 2016: TL 961).

21. Provision for employee benefits

21.1 Provision for short-term employee benefits

As at 31 December 2017 and 31 December 2016, details of provision for short-term employee benefits are as follows;

	31 December 2017	31 December 2016
Bonus premium	160	120
	160	**120**

As at 31 December 2017 and 31 December 2016 the movement of bonus provision is as follows;

	31 December 2017	31 December 2016
Balance at the beginning of the year	120	117
Paid provision for the current period	(120)	(117)
Provision for the current period	160	120
Balance at the end of the period	**160**	**120**

(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 31 December 2017 and 31 December 2016, details of provision for long-term employee benefits are as follows;

	31 December 2017	31 December 2016
Provision for employee benefits	609	540
Employee termination benefit provision	*290*	*272*
Unused vacation provision	*319*	*268*
	609	**540**

Employee termination benefit provision

According to the Turkish Labor Law, the Company is obliged to pay severance for its personnel who worked for the Company over a year and who were dismissed or who completed 25 (20 years for women) service years for a company and are entitled to pension (58 years of age for women and 60 years of age for men) or who were conscripted or who died. The severance payment equals to the monthly wage for every service year and this amount is limited to full TL 4,732.48 as at 31 December 2017 (31 December 2016: full TL 4,297.21). 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 31 December 2017 and 31 December 2016, movement of provision for employee termination benefit is as follows;

	31 December 2017	31 December 2016
Balance at the beginning of the year	272	193
Actuarial gain/loss	31	39
Interest cost	9	7
Provision for the current period	53	48
Provision payment for the current period	(75)	(15)
Balance at the end of the period	**290**	**272**

Unused vacation provision

According to the governing labor law in Turkey, in case the labor contract ends for some reason, the Company is obliged to pay the earning that the employees are entitled but did not use to that person or beneficiaries as at that person's earning on the contract ending date. According to TAS 19 unused vacation provisions identified as "Benefits to employees" are accrued in the earned periods and are not discounted. The provision for the unused leaves as at 31 December 2017 and 31 December 2016 is the total undiscounted liability amount that all the employees are entitled which corresponds to the days of their unused leaves.

As at the 31 December 2017 and 31 December 2016, movement of provision for unused vacations is as follows;

	31 December 2017	31 December 2016
Balance at the beginning of the year	268	233
Provision for the current period	51	35
Balance at the end of the period	**319**	**268**

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

22. Other current and non-current assets

As at 31 December 2017 and 31 December 2016, details of other current assets are as follow;

	31 December 2017	31 December 2016
Deferred VAT	598	491
	598	**491**

As at 31 December 2017 and 31 December 2016, the Company does not have other non-current assets.

23. Equity

23.1 Paid-in share capital

As at 31 December 2017, the Company's nominal value of authorized share capital amounts to TL 52,181 (31 December 2016: 52,181 historical value) comprising 5,218,085,564 registered shares of par value of 1 Kuruş ("Kr") each. (One TL is equivalent to a hundred Kr). As at 31 December 2017 and 31 December 2016, the shareholding structure of the Company is disclosed in Note 1.

23.2 Adjustment to share capital

As at 31 December 2017, the Company's inflation-adjustment differences amount to TL 24,085 (31 December 2016: 24,085).

23.3 Repurchase of shares (-)

At 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. The Company has repurchased 2,815 of TL nominal value of C group shares amounting to 2,601 of TL as at report date (31 December 2016: 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 31 December 2017, share premium of the Company is TL 1 and losses on sale of repurchased shares is TL 141 (31 December 2016: share premium is TL 1 and sales losses of repurchased shares is TL 141).

23. Equity (continued)

23.5 The effect of under common control business merger

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

As at 31 December 2017, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL 12,181 (31 December 2016: 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 25 as at 31 December 2017 (31 December 2016: TL 31).

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 31 December 2017, foreign currency translation differences of the Company amount to TL 79,382 (31 December 2016: TL 67,949).

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

As at 31 December 2017, there is no financial asset revaluation fund (31 December 2016: None).

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

23. Equity (continued)

23.8 Restricted reserves

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

As at 31 December 2017, restricted reserves movement are as follows;

	31 December 2017	31 December 2016
Primary legal reserves	6,875	6,647
Special funds (*)	6,747	5,431
Repurchased share provision / (classification)(**)	2,601	2,601
Legal reserves inflation differences (***)	2,313	-
Balance at the end of the period	**18,536**	**14,679**

(*) The amount comprises of the gains exemption for sale of shares. In order to benefit from this capital gains exemption, the condition of capitalising the sales profit is abolished; instead it is required that the sales profit is booked in a special reserve account for at least five years. 75% of the profit will be subject to tax exemption. The exemption will be applied in the period that the sale takes place.

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

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

23.9 Prior years’ profits/(losses)

As at 31 December 2017 and 31 December 2016, movements of prior years’ profits/(losses) are as follows:

	31 December 2017	31 December 2016
Balance at 1 January	(19,256)	5,555
Profits/(losses) for the prior period	(28,345)	(15,218)
Transfers from special funds	(1,316)	(5,431)
Transfers from primary legal reserves	(228)	(1,531)
Gains/losses from revaluation of defined benefits	(31)	(30)
Legal reserves inflation differences (*)	(2,313)	-
Withdrawal of shares	-	(2,601)
Balance at end of period	**(51,489)**	**(19,256)**

(*) 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.

23. Equity (continued)

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

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

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

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

Profit distribution policy

The Ordinary General Assembly of the Company has resolved on 25 May 2017 that the profit distribution policy of Company for the year 2016 and the subsequent years pursuant to the Corporate Governance Principles is the distribution of profits as bonus shares by means of share capital increases from internal resources through the capitalisation of profits, to the extent that the criteria stipulated by the regulatory framework of CMB in relation to share capital increases through bonus issue are met, in order to finance the growth by way of retention of earnings in equity through the accumulation of profits in extraordinary reserves by considering the growth plans, investing activities and existing financial structures of the associated companies and subsidiaries and this policy is to be re-evaluated every year by taking into account the regulations of the Capital Markets Board regarding profit distribution and the liquidity position of the Company.

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

Decision on distribution

By the General Assembly Meeting of the year 2016 dated 25 May 2017, it has been decided to transfer the net loss of TL 28,345 in the TAS financial statements of the Company to the previous year's losses. Primary legal reserves are reserved from restricted reserves amounting to TL 228 in the consolidated TFRS financial statements.

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

24. Marine sector revenues and expenses

The details of marine sector revenues and expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Ship lease income	57,617	32,095
Marine sector insurance indemnity income	719	395
Time charter income other than rent	415	-
Fuel purchasing and selling difference income	59	-
Other income	614	578
Marine sector income	**59,424**	**33,068**
Ship depreciation expense	(17,969)	(18,056)
Personnel expenses	(17,389)	(13,516)
Various ship equipment, oil and fuel expenses	(9,721)	(4,062)
Ship insurance expenses	(2,337)	(1,767)
Technical management fees	(1,801)	(1,487)
Maintanence and repair expenses	(1,484)	(459)
Loss of hire	(630)	-
Fuel purchasing and selling difference expenses	-	(950)
Other expenses	(627)	(501)
Marine sector expenses	**(51,958)**	**(40,798)**
Gross profit/(loss) from marine sector activities	**7,466**	**(7,730)**

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

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

The details of interest and other income and interest, commission and other expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Finance lease interest income	7	131
Finance lease receivables foreign exchange gains	3	4
Finance lease receivables default income	-	1
Reversal of provision for finance operations	2	38
Total interest and other income	**12**	**174**
Provision for finance operations	(274)	(257)
Total finance sector acivities income(/expenses), net	**(274)**	**(257)**
Other finance sector activities income/(expense), net	-	(236)
Total other finance sector acivities income(/expenses), net	**-**	**(236)**
Gross profit/(loss) from finance sector activities	**(262)**	**(319)**

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

26. General administrative expenses

The details of general administrative expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	3,080	2,376
Vehicle and travel expenses	288	174
Rent and other expenses	279	260
Purchases of services from related parties	212	184
Audit expenses	159	190
Depreciation expenses	31	18
Quotation expenses	6	9
Insurance expenses	2	1
Tax, duty and charge expenses	7	9
Other	291	207
Total	**4,355**	**3,428**

The details personnel expenses that are included in general administrative expenses for the years ended 31 December 2017 and 31 December 2016 are as follows

	1 January- 31 December 2017	1 January- 31 December 2016
Wages and salaries	2,556	1,991
Social security premium expenses – employer's share	206	144
Employee termination benefit provision expenses	144	86
Other	174	155
Total	**3,080**	**2,376**

27. Other operating income

The details of other operating income that belong to for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency exchange income	1,590	2,599
Interest received from banks	195	424
Employee termination benefit cancellation income	75	15
Other	67	183
Total	**1,927**	**3,221**

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

28. Other operating expenses

The details of other operating expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency exchange losses	837	997
Other expenses	-	38
Total	**837**	**1,035**

29. Income/expenses from investment activities

The details of income/expenses from investment activities for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Gain on sale of financial assets available for sale (*)	-	1,754
Gain on sale of fixed assets	-	15
Total	**-**	**1,769**

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

For the year ended 31 December 2017, the Company does not have expenses from investment activities (31 December 2016: None).

30. Financial income and expenses

The Company does not have any financial income for the years ended 31 December 2017 and 31 December 2016. The details of finance expenses for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Interest expense	14,845	9,830
Foreign currency exchange losses from borrowings	6,442	13,439
Other financial expenses	78	155
Total	**21,365**	**23,424**

31. Tax assets and liabilities

Corporation Tax

As at 31 December 2017, corporation tax rate is 20% (31 December 2016: 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 2017, the advance tax rate is 20% (31 December 2016: 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 31 December 2017 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.

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.

31. Tax assets and liabilities (continued)

Investment Incentives (continued)

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 109,332 thousand, which belongs to period before 24 April 2003, as at 30 June 2017. 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 31 December 2017, the Group will be able to use the unused investment allowance that amounts to TL 109,332 (31 December 2016: TL 95,516) by deducting from the future income.

Transfer Pricing

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

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

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

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

31. Tax assets and liabilities (continued)

The tax provisions for the years ended 31 December 2017 and 31 December 2016 consist of the following:

Current period income tax	1 January-31 December 2017	1 January-31 December 2016
Current period corporation tax income/(expenses) (*)	1,240	2,534
Deferred tax income/(expenses)	647	67
Total tax income/(expenses)	**1,887**	**2,601**

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

For the years ended 31 December 2017 and 31 December 2016, the provision for income tax in the statement of profit or loss is different from the amount computed by applying the statutory tax rate of income before tax:

	1 January-31 December 2017	1 January-31 December 2016
Profit/(loss) before the reported tax	(17,426)	(30,946)
Tax calculated based on the reported profit/loss	3,484	6,189
Amount of disallowable expenses	(178)	(125)
Amount of tax exempt income	168	344
Subsidiary tax effect (*)	(1,583)	(3,870)
Other	(4)	63
Tax income/(expense)	**1,887**	**2,601**

(*) 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 20% corporate tax in Turkey to be taxed in the current period profit of the Company, in the period when they are recognized as profit by the Company, having been received through dividend distribution in cash or by bonus issue or through share capital increase by bonus issue.

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

As at 31 December 2017 and 31 December 2016, the list of temporary differences and related deferred tax assets and liabilities by using current tax rates are as follows:

	31 December 2017	31 December 2016
Tax losses carried	574	-
Provision for doubtful receivables	449	395
Employee termination benefits and other employee rights	157	132
Deferred tax asset	**1,180**	**527**
Deferred tax liability	**-**	**-**
Deferred tax asset, net	**1,180**	**527**

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.

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

31. Tax assets and liabilities (continued)

As at 31 December 2017 and 31 December 2016, movements in deferred tax assets are as follows:

	31 December 2017	**31 December 2016**
Opening balance	527	524
Deferred tax income/(expense) that is recognized in profit or loss	647	67
Deferred tax that is recognized in shareholders' equity	6	(64)
Balance at the end of period	**1,180**	**527**

32. Earnings/(losses) per share

Earnings/(losses) per share calculation for the years ended 31 December 2017 and 31 December 2016 are as follows:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Net loss for the period	(15,539)	(28,345)
Weighted average number of ordinary shares(*)	49,231	51,041
Basic earnings/(losses) expressed in 1 TL per share	**(0.316)**	**(0.555)**

(*) At 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. As at 31 December 2017, 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.

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

33.1.1 Credit risk

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

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

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

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

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

33.1.2 Liquidity risk

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

33.1.3 Market Risk

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

(i) Foreign currency risk

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

(ii) Interest rate risk

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

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

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

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

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

33.2 Disclosures related to financial risk management

33.2.1 Credit risk

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

	31 December 2017	%	31 December 2016	%
Textile	21	100	168	100
Total	**21**	**100**	**168**	**100**

(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)

As at 31 December 2017 and 31 December 2016, the assets of the Company which are qualified as credits exposed to credit risk are as in the following chart:

	Receivables originating from finance sector activities		Trade and other receivables		
31 December 2017	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Deposit in the banks**
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	**-**	**21**	**-**	**3,125**	**27,632**
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 and which will otherwise be considered as due or impaired	-	-	-	-	-
C. Net book value of the assets which are due but have not been impaired	-	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	-	-	-	-	-

(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)

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

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

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

33.2.2 Liquidity risk

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

31 December 2017

Due Dates In Relation to the Contract	Carrying value	Sum of cash outflow in relation to the contract	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Non-derivative Financial Liabilities	**287,761**	**(318,271)**	**(12,077)**	**(30,091)**	**(273,829)**	**(2,274)**
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)	-	-	-

31 December 2016

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

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

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

33.2.3 Market risk

Interest rate risk

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

Interest rate position table

Financial instruments with fixed interest		**31 December 2017**	**31 December 2016**
	Finance lease receivables	21	168
	Time deposits	13,905	13,072
	Bank loans	127,034	105,655
Financial instruments with floating interest			
	Bank loans	159,807	156,601

Interest rate risk sensitivity analysis

If the interest rates of the financial instruments with floating interest, on the renewal dates were 100 base points higher/lower and all other variables were to remain stable, the net profit for the year would be TL 86 higher/lower on 31 December 2017 (31 December 2016: 50).

(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)

Foreign currency risk

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

The chart below summarizes the foreign currency position risk of the Group in detail as at the dates of 31 December 2017 and 31 December 2016. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

	Foreign currency position chart							
	31 December 2017				**31 December 2016**			
	Total TL Equivalent	**USD (in Turkish Liras)**	**Euro (in Turkish Liras)**	**Other (in Turkish Liras)**	**Total TL Equivalent**	**USD (in Turkish Liras)**	**Euro (in Turkish Liras)**	**Other (in Turkish Liras)**
1. Trade Receivables	3,123	3,123	-	-	3,017	3,017	-	-
2a. Monetary financial assets (including cash and bank accounts)	27,616	27,598	18	-	17,114	17,071	43	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-
3. Other	1,841	1,836	5	-	1,548	1,548	-	-
4. Current assets (1+2+3)	**32,580**	**32,557**	**23**	**-**	**21,679**	**21,636**	**43**	**-**
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-
7. Other	345,586	345,586	-	-	337,469	337,469	-	-
8. Non-current assets (5+6+7)	**345,586**	**345,586**	**-**	**-**	**337,469**	**337,469**	**-**	**-**
9. Total assets (4+8)	**378,166**	**378,143**	**23**	**-**	**359,148**	**359,105**	**43**	**-**
10. Trade payables	597	597	-	-	184	184	-	-
11. Financial liabilities	31,257	31,243	14	-	120,907	120,811	96	-
12a. Other (Monetary)	-	-	-	-	-	-	-	-
12b. Other (Non monetary)	834	834	-	-	961	961	-	-
13. Short-term liabilities(10+11+12)	**32,688**	**32,674**	**14**	**-**	**122,052**	**121,956**	**96**	**-**
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	255,615	255,615	-	-	141,508	141,508	-	-
16 a. Other (Monetary)	-	-	-	-	-	-	-	-
16 b. Other (Non monetary)	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	**255,615**	**255,615**	**-**	**-**	**141,508**	**141,508**	**-**	**-**
18. Total liabilities (13+17)	**288,303**	**288,289**	**14**	**-**	**263,560**	**263,464**	**96**	**-**
19. Net Asset/(Liability) Position of the Off-Balance Sheet Foreign Currency Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Sum of the Off-Balance Sheet Foreign Currency Derivative Products with Passive Character	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**89,863**	**89,854**	**9**	**-**	**95,588**	**95,641**	**(53)**	**-**
21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(256,730)**	**(256,734)**	**4**	**-**	**(242,468)**	**(242,415)**	**(53)**	**-**

(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)

Foreign currency risk(continued)

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

Foreign Exchange Rate Sensitivity Analysis Table				
31 December 2017				
	Profit/(Loss)		**Equity**	
	Foreign currency appreciates	**Foreign currency depreciates**	**Foreign currency appreciates**	**Foreign currency depreciates**
Change of USD by 10% against TL:				
1. USD net asset/liability	(5,851)	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(-)	-	-	-	-

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

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.

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:

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

34. Financial Instruments(continued)

Financial Assets

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

The carrying values of receivables from finance sector activities as at 31 December 2017 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 31 December 2017 and 31 December 2016 are shown in the chart below:

	31 December 2017		**31 December 2016**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets and liabilities				
Cash and cash equivalents	27,634	27,634	17,321	17,321
Trade receivables	3,123	3,123	3,017	3,017
Other receivables	2	2	173	173
Receivables from finance sector activities	21	21	168	168
Payables from finance sector activities	94	94	279	279
Trade payables	686	686	415	415
Other payables	140	140	112	112
Borrowings	286,841	286,863	262,256	262,251

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 31 December 2017, there is no financial investment carried at fair value (31 December 2016: None).

35. Events after the reporting period

None.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Supplementary Information Convenience Translation to US Dollars

As at 31 December 2017

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 3.7719 TL/USD prevailing on 31 December 2017. For the prior year's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 3.5192 TL/USD prevailing on 31 December 2016. 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 31 December 2017

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

	Audited	**Audited**
	31 December 2017	**31 December 2016**
Assets		
Current assets	**8,836**	**6,485**
Cash and cash equivalents	7,326	4,922
Trade receivables	828	857
- Due from third parties	828	*857*
Receivables from finance sector activities	6	48
- Due from third parties	*6*	*48*
Other receivables (net)	1	49
- Other	*1*	*49*
Inventories (net)	257	262
Prepaid expenses	239	185
- Due from third parties	*239*	*185*
Current income tax assets	1	--
Other current assets	158	140
- Due from third parties	*158*	*140*
Subtotal	**8,816**	**6,463**
Assets held for sale	20	22
Non-current assets	**92,326**	**96,329**
Financial investments	255	273
Tangible assets	91,758	95,906
- Vehicles	*91,750*	*95,894*
- Furnite and fixtures	*8*	*12*
Deferred tax assets	313	150
Total assets	**101,162**	**102,814**

Appendix I.1

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position (Balance sheet)

As at 31 December 2017

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

	Audited	**Audited**
	31 December 2017	**31 December 2016**
Liabilities		
Current liabilities	**8,786**	**35,074**
Short term financial borrowings	2,160	4,467
Due to related parties	-	2,606
- Bank loans	-	*2,606*
Due to third parties	2,160	1,861
- Bank loans	2,160	*1,861*
Short term portion of long term financial liabilities	6,119	29,844
Due to third parties	6,119	29,844
- Bank loans	*6,119*	*29,844*
Trade payables	182	118
- Due to related parties	*3*	*3*
- Due to third parties	*179*	*115*
Payables from finance sector activities	25	79
- Due to third parties	*25*	*79*
Other payables	37	32
- Due to third parties	*37*	*32*
Deferred income	221	273
- Due to third parties	*221*	*273*
Current income tax liabilities	--	227
Short term provisions	42	34
- Provisions for employee benefits	*42*	*34*
Non-current liabilities	**67,930**	**40,364**
Long-term financial liabilities	67,769	40,210
Due to related parties	7,506	40,210
- Bank loans	*7,506*	*40,210*
Due to third parties	60,263	
- Bank loans	*60,263*	
Long term provisions	161	154
- Provisions for employee benefits	*161*	154
Equity	**24,446**	**27,376**
Paid-in share capital	13,834	14,828
Adjustment to share capital	6,385	6,844
Repurchase of shares (-)	(690)	(739)
Premium on the shares/discount	(37)	(40)
Effect of merger under common control	(3,229)	(3,461)
Accumulated other comprehensive ıncome that will not be reclassified to profit or loss	(7)	(9)
- *Gains/losses from the revaluation and reclassification*	*(7)*	*(9)*
Accumulated other comprehensive ıncome that may be reclassified subsequently to profit or loss	21,047	19,308
- *Currency translation differences*	*21,047*	*19,308*
Restricted reserves	4,914	4,171
Prior years' profits/(losses)	(13,651)	(5,472)
Net profit / (loss) for the period	(4,120)	(8,054)
Total equity and liabilities	**101,162**	**102,814**

Appendix I.2

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss

For the year ended 31 December 2017

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

	Audited 1 January- 31 December 2017	**Audited 1 January- 31 December 2016**
Continuing operations		
Marine sector revenues	15,754	9,396
Marine sector expenses (-)	(13,775)	(11,593)
Gross profit/(loss) of marine sector activities	**1,979**	**(2,197)**
Gross profit/(loss) from trading activities	**1,979**	**(2,197)**
Finance sector operating income	**4**	**50**
Foreign exchange gain	1	1
Interest income	2	38
Finance sector other operating income	1	11
Cost of finance sector activities (-)	**(73)**	**(140)**
Finance sector provision expense	(73)	(73)
Other finance sector operating income/(expenses), net	--	(67)
Gross profit/ (loss) from finance sector activities	**(69)**	**(90)**
Gross profit/(loss)	**1,910**	**(2,287)**
General administrative expenses (-)	(1,155)	(974)
Other operating income	511	915
Other operating expenses (-)	(222)	(294)
Operating profit/ (loss)	**1,044**	**(2,640)**
Income from investment activities	--	503
Operating profit/(loss) before financial income (expenses)	**1,044**	**(2,137)**
Financial expenses (-)	(5,664)	(6,656)
Profit/ (loss) before tax from continued operations	**(4,620)**	**(8,793)**
Tax income/expenses of continued operations	**501**	**739**
- Taxation on income / (expenses)	329	720
- Deferred tax income / (expenses)	172	19
Profit/(loss) for the period	**(4,119)**	**(8,054)**
Earnings / (losses) per share	**(0.08)**	**(0.16)**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss

For the year ended 31 December 2017

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

	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Profit / (loss) for the period	**(4,120)**	**(8,054)**
Other comprehensive income/(expenses)		
Other comprehensive income or expenses not to be reclassified to profit or loss	**(7)**	**(9)**
Gains/losses from revaluation of defined benefits	(7)	(9)
To be reclassified as profit or loss	**3,031**	**8,144**
Currency translation differences	3,031	8,063
Fair value changes on financial assets	--	81
Other comprehensive income / (expense) (net of tax)	**3,024**	**8,135**
Total comprehensive income / (expense)	**(1,096)**	**81**
Appropriation of total comprehensive income / (expense)	**(1,096)**	**81**
Non-controlling interest	**--**	**--**
Equity holders of the parent	**(1,096)**	**81**