

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

Consolidated Financial Statements
As at and For the Year Ended
31 December 2018

With Independent Auditors' Report Thereon

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

11 March 2019

*This report contains "Independent Auditors'
Review Report" comprising 4 pages and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 56
pages and 5 pages of supplementary
information.*

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

INDEPENDENT AUDITORS' REPORT

To the Shareholders of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated statement of financial position of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi and its subsidiaries (together will be referred to as "the Group") as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

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 consolidated 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of tangible assets

See Note 2.5(d) and Note 14 for the details of the accounting policies used for impairment of and for the important accounting estimates and assumptions used for tangible assets.

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of tangible assets</p> <p>As at 31 December 2018, ships which are presented in the tangible assets, comprise 71% of the Group's total assets .</p> <p>The Group assesses if there is indication of impairment by comparing each ship's, as regarded as cash-generating unit's, fair value less costs to sell and its value in use based on discounted cash flows. The management has used estimates and assumptions for the determination of impairment.</p> <p>Impairment of ships was considered to be a key audit matter, due to the significance of ships in the Group's total assets and significant Management estimates and assumptions used in applying valuation methods.</p>	<p>Our procedures for auditing significant estimates and assumptions used in testing the impairment of ships included below:</p> <ul style="list-style-type: none">• We evaluated the valuation model prepared by the management.• We evaluated the appropriateness of valuation models and discount rate used in valuation model. with the involvement of specialists.• We evaluated income and expense expectations used in valuation models.• We tested the consistency, appropriateness and mathematical accuracy of estimates and assumptions used in the discounted cash flow calculations used by management to determine recoverable amount.• We evaluated the assumptions used in determining the useful lives of the ships and the market knowledge for the determination of salvage value at the end of the useful life.

Other Matter

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Appendix I is presented for the purposes of additional analysis and is not required part of the basic consolidated financial statements. The US Dollar amounts presented in Appendix I are solely for the convenience of the reader as additional analysis and have not been subjected to the audit procedures applied in the audit of the basic consolidated financial statements. Accordingly, we do not express an opinion on this supplementary information.



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 TFRSs, 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.

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

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

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 Company on 11 March 2019.
- 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 2018, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 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 Akoya, SMMM
Partner
11 March 2019
Istanbul, Turkey

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Consolidated statement of financial position (Balance sheet)****As at 31 December 2018***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

		Audited	Audited
	<i>Notes</i>	31 December	31 December
		2018	2017
Assets			
Current assets			
Cash and cash equivalents	3	77,624	27,634
Trade receivables	7	2,420	3,123
- <i>Due from third parties</i>	7.1	2,420	3,123
Receivables from finance sector activities	8	26	21
- <i>Due from third parties</i>	8.1	26	21
Other receivables (net)	9	181	2
- <i>Due from related parties</i>	6	179	-
- <i>Due from third parties</i>	9.1	2	2
Inventories (net)	10	513	970
Prepaid expenses	11	405	900
- <i>Due from third parties</i>		405	900
Current income tax assets	12	96	5
Other current assets	22	761	598
- <i>Due from third parties</i>	22	761	598
Subtotal		82,026	33,253
Assets held for sale	13	76	76
Non-current assets			
Financial assets at fair value through other comprehensive income	5	962	962
Tangible assets	14	212,216	346,102
- <i>Vehicles</i>		212,172	346,072
- <i>Furnitures and fixtures</i>		44	30
Intangible Assets	15	165	-
- <i>Other intangible assets</i>		165	-
Deferred tax assets	31	1,554	1,180
Total assets		296,999	381,573

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Consolidated statement of financial position (Balance sheet)****As at 31 December 2018***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

		Audited	Audited
	<i>Notes</i>	31 December	31 December
		2018	2017
Liabilities			
Current liabilities		86,548	33,140
Short-term financial borrowings	16	-	8,146
Due to third parties	16.2	-	8,146
- <i>Bank loans</i>	16.2	-	8,146
Short-term portion of long term financial liabilities	16	84,964	23,080
Due to third parties	16.2	84,964	23,080
- <i>Bank loans</i>	16.2	84,964	23,080
Trade payables	7	141	686
- <i>Due to related parties</i>	6	14	12
- <i>Due to third parties</i>	7.2	127	674
Payables from finance sector activities	8	57	94
- <i>Due to third parties</i>	8.2	57	94
Other payables	9	114	140
- <i>Due to third parties</i>	9.2	114	140
Deferred income	20	1,093	834
- <i>Due to third parties</i>		1,093	834
Short-term provisions	21	179	160
- <i>Provisions for employee benefits</i>	21.1	179	160
Non-current liabilities		79,900	256,224
Long-term financial liabilities	16	79,228	255,615
Due to related parties	6	-	28,310
- <i>Bank loans</i>	16.2	-	28,310
Due to third parties	16.2	79,228	227,305
- <i>Bank loans</i>	16.2	79,228	227,305
Long-term provisions	21	672	609
- <i>Provisions for employee benefits</i>	21.2	672	609
Equity		130,551	92,209
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	(3,223)	(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	(7)	(25)
- <i>Gains/losses from the revaluation and reclassification</i>		(7)	(25)
Accumulated other comprehensive income that may be reclassified subsequently to profit or loss	23.7	82,810	79,382
- <i>Currency translation differences</i>		82,810	79,382
Restricted reserves	23.8	19,158	18,536
Prior years' profits/(losses)	23.9	(67,675)	(51,489)
Net profit / (loss) for the period		35,543	(15,539)
Total equity and liabilities		296,999	381,573

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 2018***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

		Audited	Audited
		1 January- 31 December 2018	1 January- 31 December 2017
	<i>Notes</i>		
Continuing operations			
Marine sector revenues	24	76,000	59,424
Marine sector expenses (-)	24	(58,237)	(51,958)
Gross profit/(loss) of marine sector activities		17,763	7,466
Gross profit/(loss) from trading activities		17,763	7,466
Finance sector operating income		58	12
Foreign exchange gain	25	2	3
Interest income	25	52	7
Reversal of provision for finance operations	25	4	2
Cost of finance sector activities (-)		(684)	(274)
Other finance sector operating income/(expenses), net	25	(684)	(274)
Gross profit/(loss) from finance sector activities		(626)	(262)
Gross profit/(loss)		17,137	7,204
General administrative expenses (-)	26	(4,926)	(4,355)
Other operating income	27	11,062	1,927
Other operating expenses (-)	28	(4,742)	(837)
Operating profit/(loss)		18,531	3,939
Income from investment activities	29	64,842	-
Expenses from investment activities (-)	29	-	-
Operating profit/(loss) before financial income (expenses)		83,373	3,939
Financial expenses (-)	30	(46,074)	(21,365)
Profit/ (loss) before tax from continued operations		37,299	(17,426)
Tax income/(expenses) of continued operations		(1,756)	1,887
- Taxation on income / (expenses)	31	1,111	1,240
- Deferred tax income / (expenses)	31	(2,867)	647
Profit/(loss) for the period		35,543	(15,539)
Earnings / (losses) per share		0.721	(0.316)

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

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

	Audited	Audited
	1 January- 31 December 2018	1 January- 31 December 2017
<i>Notes</i>		
Profit / (loss) for the period	35,543	(15,539)
Other comprehensive income/(expenses)		
<u>Other comprehensive income or expenses not to be reclassified to profit or loss</u>		
Gains/losses from revaluation of defined benefits	(7)	(25)
	(7)	(25)
<u>To be reclassified as profit or loss</u>		
Currency translation differences	3,428	11,433
	23	3,428
Other comprehensive income / (expense) (net of tax)	3,421	11,408
Total comprehensive income / (expense)	38,964	(4,131)
Appropriation of total comprehensive income / (expense)	38,964	(4,131)
Non-controlling interest	-	-
Equity holders of the parent	38,964	(4,131)

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi
Consolidated statement of changes in equity
For the year ended 31 December 2018

(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		Equity attributable to equity holders of the parent		Non-controlling interest	Total equity	
	Notes	Paid-in share capital	Adjustment to share capital	Repurchase of shares	Share	Premium/ Discounts	The effect of merger under common control	Gains/losses from the revaluation and reclassification	Foreign currency translation adjustment	Restricted reserves	Prior years' Net profit/loss profits/(losses) for the period					
Prior 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		-	-	-	-	-	-	6	11,433	-	(31)	-	11,408	-	11,408	
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	
Current period																
1 January 2018	23	52,181	24,085	(2,601)		(140)	(12,181)	(25)	79,382	18,536	(51,489)	(15,539)	92,209	-	92,209	
Transfers		-	-	-	-	-	-	-	-	-	(15,539)	15,539	-	-	-	
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	-	(15,539)	15,539	-	-	-	
Total comprehensive income		-	-	-	-	-	-	18	3,428	-	(25)	35,543	38,964	-	38,964	
Net loss for the period		-	-	-	-	-	-	-	-	-	-	35,543	35,543	-	35,543	
Other comprehensive income		-	-	-	-	-	-	18	3,428	-	(25)	-	3,421	-	3,421	
Transactions with shareholders accounted under equity		-	-	(622)	-	-	-	-	-	622	(622)	-	(622)	-	(622)	
The increase / decrease due to repurchase of shares		-	-	(622)	-	-	-	-	-	622	(622)	-	(622)	-	(622)	
Balance as at 31 December 2018	23	52,181	24,085	(3,223)		(140)	(12,181)	(7)	82,810	19,158	(67,675)	35,543	130,551	-	130,551	

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 2018

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

		Audited	Audited
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Cash Flows (Indirect method)			
Cash flow from operating activities		82,066	36,615
Profit/(loss) for the period		35,543	(15,539)
Profit/(loss) from continuing operations		35,543	(15,539)
Adjustments related with the reconciliation of net profit/(loss) for the period:		19,143	19,710
Adjustments related to depreciation and amortization	14,15	21,270	18,000
Adjustments related to provisions		322	302
<i>Provisions for employee benefits</i>		326	304
<i>Other provisions</i>		(4)	(2)
Adjustments related to interest expenses and income		15,535	14,728
<i>Interest income</i>		(596)	(195)
<i>Interest expenses</i>		16,131	14,923
Adjustments related to unrealized foreign currency translation differences		(19,740)	(11,433)
Adjustments related to tax (income)/expenses		1,756	(1,887)
Realized changes in working capital		28,395	34,326
Adjustments related to changes in trade receivables		703	(106)
<i>Changes in trade receivables</i>		703	(106)
Changes in receivables from financial activities		(5)	147
Adjustments related to changes in other receivables related to operations		(179)	171
<i>Changes in due from other receivables</i>		(179)	-
<i>Changes in other receivables</i>		-	171
Adjustments related to changes in inventories	10	457	(44)
Changes in prepaid expenses	11	495	(250)
<i>Adjustments related to changes in trade payables</i>		(545)	271
<i>Changes in due to trade payables</i>		2	1
<i>Changes in other trade payables</i>		(547)	270
Change in finance sector payables		(37)	(185)
Adjustments related to the changes in other payables related to operations		(26)	28
<i>Changes in other payables related to operations</i>		(26)	28
Changes in deferred income		259	(127)
Adjustments related to other changes in working capital		27,273	34,421
<i>Changes in other assets related to operations</i>		71,059	(2,242)
<i>Changes in other liabilities related to operations</i>		(43,786)	36,663
Cash flows derived from operating activities		83,081	38,497
Interest received		527	195
Employee benefits paid		(244)	(195)
Tax paid		(1,298)	(1,882)
Cash flows from investing activities		57,363	(2,361)
Proceeds from disposal of shares of subsidiaries with loss of control		65,305	-
Purchase of tangible assets	14	(7,832)	(2,361)
Purchase of intangible assets	15	(170)	-
Dividends received	29	60	-
Cash flow from financing activities		(94,374)	(25,916)
Cash outflows from repurchase of shares and purchase of other equity instruments		(622)	-
<i>Cash outflows from repurchase of shares</i>		(622)	-
Cash inflows from borrowings		19,741	218,136
<i>Cash inflows from bank loans</i>		19,741	218,136
Cash outflows from payment of financial borrowings		(97,142)	(225,184)
<i>Cash outflows repayments of bank loans</i>		(97,142)	(225,184)
Interest paid		(16,351)	(18,868)
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		45,055	8,338
Effect of change in foreign exchange rates on cash and cash equivalents		5,437	1,852
Net increase/(decrease) in cash and cash equivalents		50,492	10,190
Cash and cash equivalents at 1 January		25,740	15,550
Cash and cash equivalents at 31 December	2.5(o)	76,232	25,740

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

1. Organization and operations of the Group

GSD Denizcilik, Gayrimenkul, İnşaat Sanayi ve Ticaret Anonim Şirketi (“the Company”) was established as a GSD Group Company in 1992. As at 31 December 2018, 15.50 % of certain shares of the Company are listed on Borsa İstanbul (BIST) since 20 February 1995.

The Company started its activities under the name of Tekstil Finansal Kiralama Anonim Şirketi in the frame of the provisions “Financial Leasing Law” dated in 1992 and numbered 3226. 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 Company started its marine operations through rental of ships when the subsidiaries took delivery of vessels of which the constructions were completed as at the date of 7 May 2013. The Company carries out its activities with two dry bulk cargo ships, each of them is owned by one of its subsidiaries which were established by the Company with 100% share in Malta. Zeyno Maritime Limited was consolidated until 6 June 2018, Dodo Maritime Limited and Neco Maritime was consolidated until 6 December 2018. On 6 June 2018, shares of Zeyno Maritime Limited owned by the Company were transferred to GSD Shipping B.V. and the Company has ceased to recognise Zeyno Maritime Limited as subsidiary. On 6 December 2018, shares of Dodo Maritime Limited and Neco Maritime Limited owned by the Company were transferred to GSD Shipping B.V. and the Company has ceased to recognise them as subsidiaries.

The address of the Company’s registered office is Aydınevler Mahallesi, Kaptan Rıfat Sokak, No: 3 Küçükyalı-34854 Maltepe-İstanbul. As at 31 December 2018 the Company has 9 employees (31 December 2017: 10).

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

	31 December 2018		31 December 2017	
	Amount	%	Amount	%
GSD Holding A.Ş. (“GSD Holding”)	40,679	77.96	40,679	77.96
Listed	8,090	15.55	8,686	16.65
GSD Denizcilik Gayr. İnş. San Ve Tic. A.Ş. (Repurchased shares)	3,411	6.54	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	

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

1. Organization and operations of the Company (continued)

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

	31 December 2018	31 December 2017
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 privileged in the selection of the Board of Directors, and Group A and B shareholders are privileged in electing auditors. There are no privileges given to shareholders in the process of profit distribution. GSD Holding holds the entire Group A, B and D shares and it holds Group C shares amounting 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 2018, 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 2018	31 December 2017 ^(*)
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
Dodo Maritime Ltd. ^(**)	Malta	Marine	--	100,00
Neco Maritime Ltd. ^(**)	Malta	Marine	--	100,00

^(*) On 6 June 2018, shares of Zeyno Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. domiciled in the Netherlands with a price of USD 5,883,290.06. Price has been determined according to valuation report. Zeyno Maritime Limited has been consolidated in the Company's consolidated financial statements until 6 June 2018.

^(**) On 6 December 2018, shares of Dodo Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. established on domiciled in the Netherlands with a price of USD 1,773,000 and shares of Neco Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. domiciled in the Netherlands with a price of USD 5,336,000. Prices have been determined according to valuation reports. Dodo Maritime Limited and Neco Maritime Limited have been consolidated in the Company's consolidated financial statements until 6 December 2018.

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Notes to the consolidated financial statements

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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 Financial Reporting Standards (“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. TFRS includes Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TAS Interpretations and TFRS Interpretations issued by POA.

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

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

The ship which belongs to Hako Maritime Ltd., subsidiary of GSD Dış Ticaret A.Ş. established with a capital share of 100% in Malta on 1 April 2013 was received by the subsidiary as at 23 June 2014 and started being rented and yielding rental income as at 26 June 2014. Since Hako Maritime Ltd. is included in the consolidation scope after its ship ownership, the financial statements of Hako Maritime Ltd. started to be prepared in a consolidated manner in accordance with TAS regulations as at the reporting period dated 30 June 2014. The ship which belongs to Zeyno Maritime Ltd., subsidiary of GSD Dış Ticaret A.Ş. established with a capital share of 100% and a capital of full Euro 5,000 in Malta on 22 April 2013 was received by the subsidiary as at 29 September 2014 and started being rented and yielding rental income as at 2 October 2014. The financial statements of Zeyno Maritime Ltd. have been consolidated starting from the reporting period dated 31 December 2014 in accordance with TFRS regulations. Zeyno Maritime Limited has ceased to be a subsidiary and consolidated to the GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. on 6 Jun 2018.

GSD Dış Ticaret A.Ş. dissolved without liquidation on 31 December 2014 and merged with the Company. Accordingly, all assets and liabilities of GSD Dış Ticaret A.Ş. were transferred to the Company 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 by 100% share, have taken delivery of the 1 dry bulk carrier ship constructed in 2013, named M/V Oliva, registered in Malta, with 32.500 dwt transportation capacity on 2 August 2016 and started operating the ship by time charter agreements and started earning rental income on 5 August 2016. The financial statements of Neco Maritime Ltd. have been consolidated starting from the reporting period 30 September 2016 in accordance with TFRS.

On 6 June 2018, shares of Zeyno Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. domiciled in the Netherlands with a price of USD 5,883,290.06. Price has been determined according to valuation report. Zeyno Maritime Limited has been consolidated in the Company's consolidated financial statements until 6 June 2018.

On 6 December 2018, shares of Dodo Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. established on domiciled in the Netherlands with a price of USD 1,773,000 and shares of Neco Maritime Limited, fully owned by the Company, were transferred to GSD Shipping B.V. domiciled in the Netherlands with a price of USD 5,336,000. Prices have been determined according to valuation reports. Dodo Maritime Limited and Neco Maritime Limited have been consolidated in the Company's consolidated financial statements until 6 December 2018. The consolidated financial statements of the Group dated 31 December 2018 were approved by the Company’s Board of Directors on 11 March 2019. The General Assembly and related legal institutions have the right to amend the financial statements after they have been issued.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.1 Principles of financial statement preparation and Declaration of Conformity (continued)

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.

2.1.2 Functional and Reporting Currency

The Company maintains its books of account and prepare its statutory financial statements in TL in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the Turkish Financial Reporting Standards, have been accounted for in the statutory financial statements which are prepared in accordance with the historical cost principle except for financial assets available for sale which are measured at fair value and assets held for sale which are measured at lower of cost or fair value less costs to sell. The Group companies which are in the scope of consolidation Cano Maritime Limited, Dodo Maritime Limited (until 6 December 2018), Hako Maritime Limited, Zeyno Maritime Limited (until 6 June 2018) and Neco Maritime Limited’s (until 6 December 2018) functional currency is US Dollars. The Company’s functional currency is TL.

2.1.3 Basis of consolidation

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

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

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

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

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

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

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Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.3 Basis of consolidation (continued)

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries as at 31 December 2018 and were prepared according to the principles below:

- i) The statements of financial position and income statements were subjected to consolidation by using full consolidation method, and the registered values of the subsidiaries in the Company books and the equity capitals of the subsidiaries in the financial statements were reciprocally clarified. The consolidated financial statements were cleared of all the balances and transactions that resulted from the transactions between the subsidiaries and the Company and of all kinds of unearned income.
- ii) In the preparation of the financial statements of the subsidiaries that are included in the consolidation, the necessary corrections and classifications were applied to the records – which were kept based on historical costs – with regards to conformity to TFRS and to the accounting principles and policies and presentation of the Company.
- iii) The operating results of the subsidiaries were included in the consolidation being effective as at the date the control in the aforementioned companies was transferred to the Company.

2.1.4 Comparative information

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to determine the financial position, performance and trends of the Group's cash flows. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

2.1.5 Offsetting

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

2.1.6 Going concern

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

2.2 Changes in accounting policies

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

a) TFRS 15 Revenue from Contracts with Customers

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

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

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies (continued)

b) TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has begun applying the TFRS 9 Financial Instruments standard, which was published in July 2014, with the first application date of 1 January 2018. TFRS 9 sets out the requirements for accounting and measuring the purchase and sale contracts of financial assets and liabilities and certain non-financial items. Transition to TFRS 9 did not have effect on retained earnings / (losses) as of 1 January 2018.

i. Classification of financial asset and liabilities

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

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

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

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

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

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

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

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

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

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies (continued)

b) TFRS 9 Financial Instruments(continued)

i. Classification of financial asset and liabilities

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

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

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

	<i>Note</i>	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets					
Cash and cash equivalents	3	Loans and receivables	Amortized cost	27,634	27,634
Trade receivables	7	Loans and receivables	Amortized cost	3,123	3,123
Other receivables	9	Loans and receivables	Amortized cost	2	2
Financial assets at fair value through other comprehensive income	5	Investment in associates, joint ventures and subsidiaries	Financial assets at fair value through other comprehensive income	962	962
Total financial assets				31,721	31,721

Trade and other receivables classified as loans and receivables in accordance with TAS 39 are now classified as measured at amortized cost. As there is no increase or decrease in the provision for impairment of these receivables, there is no amount to be recognized in the retained earnings in the transition to TFRS 9 on 1 January 2018.

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Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies (continued)

b) TFRS 9 Financial Instruments(continued)

ii. Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

As there is no increase or decrease in provision for impairment of financial assets, there is no amount to be recognized in retained earnings in the transition to TFRS 9 on 1 January 2018.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies (continued)

b) TFRS 9 Financial Instruments(continued)

Presentation of impairment

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

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.

The preparation of financial statements in accordance with the Financial Reporting Legislation requires management to make decisions and make assumptions and decisions that affect the implementation of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The assumptions and the assumptions underlying the estimates are continuously reviewed. Updating in accounting estimates are recognized in the period in which they are updated and in subsequent periods. The main areas where the estimates are used are as follows:

Note 7 - Trade receivables

Note 14 - Tangible assets

Note 15 - Intangible assets

Note 21 - Provisions for employee benefits

2.4 New standards and interpretations not yet adopted as at 31 December 2018

Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2018(continued)

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

Amendments to TFRS 9 - Prepayment features with negative compensation

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

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

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

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

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

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to 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.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

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

IAS 12 Income Taxes

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2018(continued)

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

IAS 23 Borrowing Costs

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

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

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

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Conceptual Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies

(a) Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities and derivative financial instruments. Detailed information on how the Group classifies, measures and recognizes in accordance with IFRS 9 is presented below.

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

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

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

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

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

The Group may irrevocably make preference about presentation of subsequent changes in its fair value in other comprehensive income on initial recognition of non-trading equity investment. This is made separately for each investment.

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

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of Financial Assets

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

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

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

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

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

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

Trade Receivables

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

Receivables from the finance sector operations

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

Receivables from the finance sector operations and other receivables are recognized in the financial statements over their remaining values after the amount of provision booked for their non-collectible parts are deducted. 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.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial Liabilities

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

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

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

Financial liabilities at FVTPL

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

Other financial liabilities

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

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

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

Derivative financial instruments

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

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

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

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

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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

(b) Tangible Assets and Depreciation

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

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

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

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

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

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

Impairment of Assets

For assets that are subject to amortization, impairment test is applied if there is a situation or events in which it is not possible to recover the book value. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount.

For the purposes of assessing impairment, assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). Tangible assets are reviewed for possible reversal of impairment at each reporting date.

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(c) Assets held for sale

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

(d) Share capital increases

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

(e) Provision for employee severance payments

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

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

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

	31 December 2018	31 December 2017
Net discount rate	18.88%	5.99%
Expected rate of salary / limit increase	9.50%	6.00%
Turnover rate to estimate the probability of retirement	100.00%	100.00%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. As the maximum liability is revised semi-annually, amount of full TL 5,434.42 (31 December 2017: full TL 4,732.48) which is effective as at 31 December 2018 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

f) Provisions, contingent assets and liabilities

As specified in TAS 37, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If these criteria are not occurred the Group discloses the related issues in the explanatory notes related to the financial statements. Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

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

(g) Revenue recognition

(i) Marine sector revenues and expenses

Marine sector revenues and expenses are recognized on accrual basis.

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

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

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

(iii) Dividend Income

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

(iv) Other Income / Expense

Other income and expenses are recognized on accrual basis.

(v) Financial Income / Expense

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

(h) Taxes on income

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

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

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

(i) Related Parties

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

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

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

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(j) 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.

(k) 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”.

(l) 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)

(m) Events after the reporting period

Events after the reporting period refer to events that in favor or against to company and occur between the end of the reporting period and the 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.

(n) Segment reporting

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(o) Statement of Cash Flows

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

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

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

As at 31 December 2018 and 2017, cash and cash equivalents details are as follows except the interest income accruals and blocked amounts presented in the statement of cash flows.

	31 December 2018	31 December 2017
Cash	1	2
Banks	76,231	25,738
	76,232	25,740

(p) Foreign currency transactions and balances

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

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

Financial statements of foreign subsidiaries

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

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

Exchange rates as at 31 December 2018 and 31 December 2017 that were used by the Company are as follows;

	31 December 2018	31 December 2017
USD	5.2609	3.7719
EURO	6.0280	4.5155

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(r) Inventories

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

3. Cash and cash equivalents

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

	31 December 2018	31 December 2017
Cash at banks	77,623	27,632
Demand deposit	1,526	13,727
Time deposit	76,097	13,905
Cash on hands	1	2
Total cash and cash equivalents included in the balance sheet	77,624	27,634
Accrued interest income on cash and cash equivalents	(76)	(7)
Blocked deposits	(1,316)	(1,887)
Total cash and cash equivalents included in the cash flow	76,232	25,740

As at 31 December 2018, the time deposits comprised bank placements in USD. As at 31 December 2018 interest rate is between 1.25%-5.15% for USD (31 December 2017: 0.70% - 4.25% for USD) denominated bank accounts. The amount of principal installment and interest of the bank loan used to finance the ship purchase of Hako Maritime Limited is allocated to the bank and the blocked deposit is composed of this amount.

4. Financial assets-fair value through profit or loss

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

5. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income

As at 31 December 2018, financial assets at fair value through other comprehensive income (which are shown in non-current assets) consist of unlisted equity investments. As at 31 December 2018, the details of financial assets at fair value through other comprehensive income are as follows:

	31 December 2018	
	% of shares	Carrying value
<i>Not Listed</i>		
GSD Faktoring A.Ş.	1.98	962
		962

Investment in associates, joint ventures and subsidiaries

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

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

	31 December 2018	
	% of shares	Carrying value
<i>Not Listed</i>		
GSD Faktoring A.Ş.	1.98	962
		962

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6. Related party disclosures

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is ultimately controlled by GSD Holding that owns the 77.96% (31 December 2017: 77.96%) of its shares and that is the principal shareholder of the Company. The ultimate parent of the Company is GSD Holding and in the accompanying financial statements GSD Holding and its related companies are disclosed as related parties. In addition, related parties include the Company’s principal owners, management, Board of Directors and their families.

(a) Banks

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

b) Other balances and transactions with related parties

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

	31 December 2018	31 December 2017
Mila Maritime Limited	48	-
Dodo Maritime Limited	44	-
Neco Maritime Limited	44	-
Zeyno Maritime Limited	43	-
Total	179	-

Other receivables from related parties consist of the receivables arising from the services rendered by the Group to maritime companies that are not in the scope of consolidation.

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

	31 December 2018	31 December 2017
GSD Holding A.Ş.	14	12
Total	14	12

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

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Transactions with related parties as at 31 December 2018 and 31 December 2017 are as follows;

Group companies of the parent	31 December 2018	31 December 2017
Mila Maritime Ltd.-Commercial management commission	346	-
Zeyno Maritime Ltd.- Commercial management commission	319	-
Neco Maritime Ltd.- Commercial management commission	42	-
Dodo Maritime Ltd.- Commercial management commission	45	-
GSD Faktoring A.Ş.- Dividends	60	-
GSD Yatırım Bankası A.Ş. - Interest income	32	6
Zeyno Maritime Ltd – Interest expense	26	-
GSD Yatırım Bankası A.Ş. - Banking commission expenses	-	(1)
GSD Yatırım Bankası A.Ş. - Share payments	(121)	(89)
GSD Holding - Share payments	(146)	(123)
M. Turgut Yılmaz - Rent expenses	(356)	(279)
GSD Yatırım Bankası A.Ş.- Interest expenses	(1,427)	(912)

(c) Derivative financial transactions

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

(d) Key management benefits

Total benefit of key management for the period ended 31 December 2018 is TL 1,256 (31 December 2017: TL 1,369).

(e) Other related party transactions

As at 31 December 2018, GSD Holding has provided surety amounting to TL 362,426 to credit institutions as a guarantee against its open lines of credit (31 December 2017: TL 573,974).

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

As at 31 December 2018 and 31 December 2017, details of trade receivables are as follows;

	31 December 2018	31 December 2017
Trade receivables from marine activities	2,420	3,123
Doubtful trade receivables	1,980	1,980
Provision for doubtful trade receivables	(1,980)	(1,980)
	2,420	3,123

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

	31 December 2018	31 December 2017
Provision at the beginning of the year	1,980	1,980
Provision at the end of period	1,980	1,980

7.2 Trade payables

As at 31 December 2018 and 31 December 2017, details of trade payables are as follows;

	31 December 2018	31 December 2017
Trade payables from marine activities	107	77
Trade payables from VAT refund receivables	20	597
Other trade payables (*)	14	12
	141	686

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

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

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

	31 December 2018	31 December 2017
Finance lease receivables	26	21
Doubtful receivables	3,822	3,142
Provision for doubtful receivables	(3,822)	(3,142)
	26	21

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

8. Receivables and payables from finance sector activities (continued)**8.1.1 Finance lease receivables**

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

	31 December 2018	31 December 2017
Short-term finance lease receivables		
Finance lease receivables, not due	30	24
Unearned interest income (-)	(4)	(3)
Short-term finance lease receivables, net	26	21
Total finance lease receivables, net	26	21

8.1.2 Doubtful receivables

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

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

	31 December 2018	31 December 2017
Balance at January 1	3,142	2,870
Current period provisions	684	274
Current period collections for provision	(4)	(2)
Provision net of recoveries	680	272
Balance at 31 December	3,822	3,142

The doubtful receivables provision expenses that are booked within the period are accounted in cost of finance sector activities.

8.2 Payables from finance sector activities

As at 31 December 2018 and 31 December 2017, details of payables from finance sector operations are as follows;

	31 December 2018	31 December 2017
Advances received	57	40
Suppliers	-	54
	57	94

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9. Other receivables and payables**9.1 Other receivables**

As at 31 December 2018 and 31 December 2017, details of other receivables are as follows;

	31 December 2018	31 December 2017
Other receivables due to related parties	179	-
Other receivables	2	2
	181	2

9.2 Other payables

As at 31 December 2018 and 31 December 2017, details of other payables are as follows;

	31 December 2018	31 December 2017
Other tax payables	72	75
Social security premium payables	35	65
Other	7	-
	114	140

10. Inventories

As at 31 December 2018 and 31 December 2017, details of inventories are as follows;

	31 December 2018	31 December 2017
Ship oil	513	825
Fuel	-	145
	513	970

11. Prepaid expenses

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

	31 December 2018	31 December 2017
Insurance expenses	340	584
Prepaid miscellaneous expenses	32	16
Ship annual tonnage tax expenses	19	27
Prepaid loan commission expenses	11	268
Ship annual registration fee expenses	3	5
	405	900

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

12. Current income tax assets

As at 31 December 2018, the current income tax assets amounting to TL 96 consist of tax deductions from interest income derived from bank deposits which are not yet deducted (31 December 2017: TL 5).

13. Assets held for sale

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

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14. Tangible assets

Movement of tangible assets for the period ended 31 December 2018 are as follows;

	1 January 2018	Additions	Disposals ^(*)	Currency translation differences	31 December 2018
Cost					
Ships	416,719	-	(235,617)	89,024	270,126
Drydock	1,657	7,800	(6,350)	705	3,812
Machinery and equipment	26	-	-	-	26
Vehicles	503	6	-	-	509
Furnitures and fixtures	1,466	26	-	-	1,492
	420,371	7,832	(241,967)	89,729	275,965
	1 January 2018	Current year charge	Disposals ^(*)	Currency translation differences	31 December 2018
Accumulated depreciation					
Ships	72,680	19,655	(57,534)	26,846	61,647
Drydock	110	1,495	(1,145)	48	508
Machinery and equipment	26	-	-	-	26
Vehicles	17	103	-	-	120
Furnitures and fixtures	1,436	12	-	-	1,448
	74,269	21,265	(58,679)	26,894	63,749
Net book value	346,102				212,216

(*)On 6 June 2018, 100% shares of Zeyno Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. On 6 December 2018, 100% shares of Dodo Maritime Limited and Neco Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. Companies have been consolidated until the date of transfer and the disposals in the table were caused by the value of each ship.

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

	1 January 2017	Additions	Disposals	Currency translation differences	31 December 2017
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

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

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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 two maritime affiliates located in Malta, into account as cash generating units as basis as at 31 December 2018 in accordance with TAS 36 and has not booked a provision for impairment as at 31 December 2018 since the value of use are higher than carrying amounts for each of the five ships. Discounted cash flow calculations, used to determine amount recoverable, have been started based on final budgeting of technical management company made for leasing contracts which are considered to be concluded in near future in the framework of current market conditions through examining current ship leasing agreements and realisations in previous periods for income. Cash flows which can occur in depreciation period have been tried to be anticipated using expectations and assumptions generated by 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 2018 and 31 December 2017, details of intangible assets of the Group are as follows:

	31 December 2018	31 December 2017
Software rights	170	-
Accumulated depreciation	(5)	-
Net kayıtlı değeri	165	-

16. Financial liabilities

16.1 Borrowing costs

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

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16. Financial liabilities (continued)

16.2 Bank borrowings

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

	Curren cy	31 December 2018			31 December 2017		
		Original amount	Carrying amount	Interest rate %	Original amount	Carrying amount	Interest rate %
Fixed interest	USD	-	-	-	2,160	8,146	5,25-5.60%
Short-term bank borrowings			-			8,146	
Fixed interest	USD	14,643	77,033	4.50-5.80%	1,314	4,955	5.25-5.60%
Floating interest	USD	1,508	7,931	Libor 3M+2.80%, Libor 3M+3.15%	4,805	18,125	Libor 3M + 2.80%, Libor 3M + 3.15%, Libor 3M + 3.25%
Short-term portion of long-term bank borrowings			84,964			23,080	
Fixed interest	USD	-	-	-	30,206	113,933	4.50-6.50%
Floating interest	USD	15,060	79,228	Libor 3M + 2.80%, Libor 3M + 3.15%	37,562	141,682	Libor 3M + 2.80%, Libor 3M + 3.15%, Libor 3M + 3.25%
Long-term portion of long-term bank borrowings			79,228			255,615	
Total long-term borrowings			164,192			278,695	
Total			164,192			286,841	

The Group’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 2018		31 December 2017	
	Fixed interest	Floating interest	Fixed interest	Floating interest
Up to 1 year	77,033	7,931	4,955	18,125
Up to 2 years	-	33,274	113,933	17,482
Up to 3 years	-	45,954	-	35,946
Up to 4 years	-	-	-	76,278
More than 5 years	-	-	-	11,976
	77,033	87,159	118,888	159,807

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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. On 6 December 2018, the Company transferred its 100% shares of 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. On 6 June 2018, the Company transferred its 100% shares of Zeyno Maritime Limited.

Neco Maritime Limited rents its dry bulk carrier ship called M/V Oivia, starting from the date of acquisition, 5 August 2016, by time charter ship leasing agreements. The technical management of the ship is given to a company abroad within agreements by Neco Maritime Limited. On 6 December 2018, the Company transferred its 100% shares of 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 2018 and 31 December 2017 contractual lease agreements’ liabilities are as follows;

	31 December 2018	31 December 2017
Less than one year	246	283
Between one and five years	39	71
Total	285	354

For the period ended 31 December 2018, total rent expenses for operating leases amounted to TL 515 recognized in the financial statements (31 December 2017: TL 380).

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18. Commitments

18.1 Guarantees given

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

	31 December 2018			31 December 2017		
	Total TL Equivalent	TL	USD (TL Equivalent)	Total TL Equivalent	TL	USD (TL Equivalent)
GPMs given by the Company						
A. Total Amount of GPMs that were Given on Behalf of Its Own Legal Entity	36,161	-	36,161	85,469	-	85,469
1. Letters of guarantee that were given by the Group bank as cash collateral surety	-	-	-	-	-	-
2. Letters of guarantee that were given by the non-group bank as cash collateral surety	-	-	-	-	-	-
3. Cash	1,316	-	1,316	6,007	-	6,007
4. Tangible asset mortgage given as cash collateral surety (*)	-	-	-	51,354	-	51,354
5. Participation share given as cash collateral surety (*)	34,845	-	34,845	28,108	-	28,108
B. Total Amount of GPMs that was Given in Favor of the Partnerships that were Included in the Scope of Full Consolidation	215,188	-	215,188	348,257	-	348,257
1. Bails given as cash collateral surety (*)	128,029	-	128,029	232,607	-	232,607
2. Tangible asset mortgage given as cash collateral surety (*)	87,159	-	87,159	108,455	-	108,455
3. Bank deposit pledge given as cash collateral (**)	-	-	-	7,195	-	7,195
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	48,924	-	48,924	-	-	-
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	48,924	-	48,924	-	-	-
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	300,273	-	300,273	433,726	-	433,726

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

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

(***) On 6 June 2018, 100% shares of Zeyno Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. On 6 December 2018, 100% shares of Dodo Maritime Limited and Neco Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. Companies have been consolidated until the date of transfer and foreign translation differences, which are followed under equity, have been transferred to gain on sale of subsidiaries. The amount arises from the guarantee given by the Company for the loans that have not been matured yet.

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

	31 December 2018	31 December 2017
Banks	300,273	433,726
	300,273	433,726

As at 31 December 2018 and 31 December 2017, the Company has no guarantees, pledges or mortgages except the letters of guarantee – presented above – given on behalf of its own legal entity.

As at 31 December 2018, the rate of the other GPMs the Company have given to the Company’s shareholders’ equity is 37% (31 December 2017: 0%).

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18. Commitments (continued)**18.2 Guarantees Taken**

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

	31 December 2018	31 December 2017
Mortgages	3,721	3,727
Customer promissory notes	-	182,177
Assignment	-	420
Customer checks	-	77
Letters of guarantee	-	25
	3,721	186,426

18.3 Other

As at 31 December 2018, GSD Holding has provided surety amounting to TL 362,426 to credit institutions as a guarantee against its open lines of credit (31 December 2017: TL 573,974).

19. Employee benefit obligations

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

20. Deferred income

As at 31 December 2018, the amount of deferred income amounting to TL 1,093 stems from early collection of monthly rents of ships (31 December 2017: TL 834).

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

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

	31 December 2018	31 December 2017
Employee bonus provision	179	160
	179	160

As at 31 December 2018 and 31 December 2017, the movement of employee bonus provision is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	160	120
Paid provision for the current period	(160)	(120)
Provision for the current period	179	160
Balance at the end of the period	179	160

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21. Provision for employee benefits(continued)**21.2 Provision for long-term employee benefits**

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

	31 December 2018	31 December 2017
Provision for employee benefits	672	609
<i>Employee termination benefit provision</i>	272	290
<i>Unused vacation provision</i>	400	319
	672	609

Employee termination benefit provision

According to the Turkish Labor Law, there is an obligation to pay the severance pay to the employees whose employment contract is terminated to be entitled to severance pay. The severance payment equals to the monthly wage for every service year and this amount is limited to full TL 5,434.42 as at 31 December 2018 (31 December 2017: full TL 4,732.48). The Group recognized actuarial gain/(loss) under profit and loss and other comprehensive income according to the Employee Benefits (TAS 19) standard published on the official gazette on 12 March 2013, no. 28585.

As at 31 December 2018 and 31 December 2017, movement of provision for employee termination benefits is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	290	272
Actuarial gain/loss	9	31
Interest cost	15	9
Provision for the current period	29	53
Provision payment for the current period	(71)	(75)
Balance at the end of the period	272	290

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

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

	31 December 2018	31 December 2017
Balance at the beginning of the year	319	268
Paid provision for the current period	(13)	-
Provision for the current period	94	51
Balance at the end of the period	400	319

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22. Other current and non-current assets

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

	31 December 2018	31 December 2017
Deferred VAT	742	598
Advances given to personnel and job	19	-
	761	598

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

23. Equity

23.1 Paid-in share capital

As at 31 December 2018, the Company’s nominal value of authorized share capital amounts to TL 52,181 (31 December 2017: TL 52,181) comprising 5,218,085,564 registered shares of par value of 1 Kuruş (“Kr”) each. (One TL is equivalent to a hundred Kr). As at 31 December 2018 and 31 December 2017, the shareholding structure of the Company is disclosed in Note 1.

23.2 Adjustment to share capital

As at 31 December 2018, the Company’s inflation-adjustment differences amount to TL 24,085 (31 December 2017: 24,085).

23.3 Repurchase of shares (-)

By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares up to 10 percent of paid-in share capital according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. The Company has repurchased 3,411 of TL nominal value of Group C shares amounting to 3,223 of TL as at report date (31 December 2017: TL 2,601).

23.4 Share premium

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

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

23.5 The effect of under common control business merger

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

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23. Equity (continued)

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

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

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

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

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. The Group has adopted the amendments to TAS 19 which were applicable as at 1 January 2014 and recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the balance sheet amounts to TL 7 as at 31 December 2018 (31 December 2017: TL 25).

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

Foreign currency translation differences

Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the income statement. As at 31 December 2018, foreign currency translation differences of the Company amount to TL 82,810 (31 December 2017: TL 79,382).

23.8 Restricted reserves

According to the Turkish Commercial Code, 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 2018 and 31 December 2017, restricted reserves movement is as follows:

	31 December 2018	31 December 2017
Primary legal reserves	6,875	6,875
Special funds	6,747	6,747
Repurchased share provision / (classification) (*)	3,223	2,601
Legal reserves inflation differences	2,313	2,313
Balance at the end of the period	19,158	18,536

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

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23. Equity (continued)

23.9 Prior years’ profits/(losses)

As at 31 December 2018 and 31 December 2017, movements of prior years’ profits/(losses) are as follows:

	31 December 2018	31 December 2017
Balance at 1 January	(51,489)	(19,256)
Profits/(losses) for the prior period	(15,539)	(28,345)
Repurchase of shares (provision)/classification	(622)	-
Gains/losses from defined benefits plan	(25)	(31)
Transfers from special funds	-	(1,316)
Transfers from primary legal reserves	-	(228)
Legal reserves inflation differences (*)	-	(2,313)
Balance at end of period	(67,675)	(51,489)

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

23.10 Distribution on earnings

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

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

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

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

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

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

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23. Equity (continued)

23.10 Distribution on earnings (continued)

Profit distribution policy

The Ordinary General Assembly of the Company has resolved on 31 May 2018 that the profit distribution policy of Company for the year 2017 and the subsequent years pursuant to the Corporate Governance Principles is the distribution of profits as bonus shares by means of share capital increases from internal resources through the capitalisation of profits, to the extent that the criteria stipulated by the regulatory framework of CMB in relation to share capital increases through bonus issue are met, in order to finance the growth by way of retention of earnings in equity through the accumulation of profits in extraordinary reserves by considering the growth plans, investing activities and existing financial structures of the associated companies and subsidiaries and this policy is to be re-evaluated every year by taking into account the regulations of the Capital Markets Board regarding profit distribution and the liquidity position of the Company.

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

Decision on distribution

By the General Assembly Meeting of the year 2017 dated 31 May 2018, it has been decided to transfer the net loss of TL 15,539 in the financial statements of the Company to the prior year's losses.

24. Marine sector revenues and expenses

The details of marine sector revenues and expenses for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Ship lease income	74,404	57,617
Revenues from intra-group service activities	752	-
Fuel purchasing and selling difference income	109	59
Time charter income other than rent	-	415
Marine sector insurance indemnity income	-	719
Other income	735	614
Marine sector income	76,000	59,424
Ship depreciation expense	(21,150)	(17,969)
Personnel expenses	(19,479)	(17,389)
Various ship equipment, oil and fuel expenses	(9,604)	(9,721)
Ship insurance expenses	(2,621)	(2,337)
Technical management fees	(2,197)	(1,801)
Maintenance and repair expenses	(1,797)	(1,484)
Rent expense paid back	(743)	(630)
Expenses from intra-group service activities	(132)	-
Other expenses	(514)	(627)
Marine sector expenses	(58,237)	(51,958)
Gross profit/(loss) from marine sector activities	17,763	7,466

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

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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 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Finance lease interest income	52	7
Finance lease receivables default income	4	2
Finance lease receivables foreign exchange gains	2	3
Total interest and other income	58	12
Provision for finance operations	(684)	(274)
Total finance sector activities income/(expenses), net	(684)	(274)
Gross profit/(loss) from finance sector activities	(626)	(262)

26. General administrative expenses

The details of general administrative expenses for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	3,329	3,080
Rent and other expenses	356	279
Vehicle and travel expenses	283	288
Purchases of services from related parties expenses	261	212
Audit expenses	138	159
Depreciation expenses	120	31
Tax, duty and charge expenses	119	7
Donation, support, social responsibility expenses	85	-
Quotation expenses	9	6
Insurance expenses	5	2
Other	221	291
Total	4,926	4,355

The details personnel expenses that are included in general administrative expenses for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Wages and salaries	2,783	2,556
Social security premium expenses – employer’s share	230	206
Employee termination benefit provision expenses	129	144
Other	187	174
Total	3,329	3,080

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27. Other operating income

The details of other operating income for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign currency exchange income from operations	10,203	1,590
Interest received from banks	596	195
Employee termination benefit cancellation income	71	75
Other	192	67
Total	11,062	1,927

28. Other operating expenses

The details of other operating expenses for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign currency exchange losses from operations	4,742	837
Total	4,742	837

29. Income/expenses from investment activities

The details of income/expenses from investment activities for the years ended 31 December 2018 and 31 December 2017 are as follows;

	1 January- 31 December 2018	1 January- 31 December 2017
Gain on sale of subsidiaries and foreign currency translation adjustments cancellation income (*)	64,752	-
Dividend income	60	-
Interest income from long-term assets and investments not included in cash equivalents	26	-
Other income	4	-
Total	64,842	-

(*) On 6 June 2018, 100% shares of Zeyno Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. On 6 December 2018, 100% shares of Dodo Maritime Limited and Neco Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. Companies have been consolidated until the date of transfer and foreign translation differences, which are followed under equity, have been transferred to gain on sale of subsidiaries.

The Group does not have any expenses related to the investment activities for the years ended 31 December 2018 and 31 December 2017.

30. Financial income and expenses

The Group does not have any financial income for the years ended 31 December 2018 and 31 December 2017. The details of finance expenses for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign currency exchange losses from borrowings	29,943	6,442
Interest expense	16,026	14,845
Other financial expenses	105	78
Total	46,074	21,365

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31. Tax assets and liabilities

Corporation Tax

As at 31 December 2018, corporation tax rate is 22% (31 December 2017: 20%). According to the provisional Article 10 of the Law No. 7061 of 5 December 2017, numbered 30261, “Amendments to Certain Tax Laws and Some Other Laws” and the Law No. 5520 on Corporate Income Tax Law, it is foreseen that the corporation tax that should be paid over the profits of the tax years 2018, 2019 and 2020 will be calculated as 22% and the tax will be continued with 20%. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%. For the Company’s estimated tax liabilities related to current period activity results, necessary provisions are booked in the accompanying financial statements.

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

In Turkey advance tax is calculated and accrued on quarterly basis. In the period that ended on 31 December 2018, the advance tax rate is 22% (31 December 2017: 20%). According to the Turkish tax legislation, the tax losses can be deducted from tax basis as long as they do not exceed 5 years. However tax losses cannot offset against retained earnings.

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

Withholding Tax

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

For the investment incentive amount benefited in relation to investment incentive certificates obtained before 24 April 2003, withholding tax at 19.8% should be calculated. 40% of the investment expenditures incurred after such date, without investment incentive certificate, and directly relevant with companies’ production activities can be deducted from the taxable income. No accrual is made for investment expenditures benefited without investment incentive certificates. The Company is obliged to accrue an Income Tax Withholding at a ratio of 19.8% as a result of using investment allowance belonging to previous period before 24 April 2003. The Income Tax Withholding amount of the Company, did not calculate based on Investment allowance belonging to period before 24 April 2003, as at 31 December 2018 and the final payment amount shall be the amount accrued through Corporate Tax Declaration.

Investment Incentives

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

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.

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31. Tax assets and liabilities (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 135,267 thousand, which belongs to period before 24 April 2003, as at 31 December 2018. The Company is obliged to accrue Income Tax Withholding at a ratio of 19, 8 % because of its use of investment allowance belonging to period 24 April 2003. As at 31 December 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 2018, the Group will be able to use the unused investment discount that amounts to TL 135,267 (31 December 2017: TL 109,332) by deducting from the future income.

Transfer Pricing

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

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

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31. Tax assets and liabilities (continued)

Transfer Pricing (continued)

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

The tax provisions for the years ended 31 December 2018 and 31 December 2017 consist of the following:

Current period income tax	1 January- 31 December 2018	1 January- 31 December 2017
Current period corporation tax income/(expenses) (*)	1,111	1,240
Deferred tax income/(expenses)	(2,867)	647
Total tax income/(expenses)	(1,756)	1,887

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

For the years ended 31 December 2018 and 31 December 2017, the provision for income tax in the statement of profit or loss is different from the amount computed by applying the statutory tax rate of income before tax:

	1 January- 31 December 2018	1 January- 31 December 2017
Profit/(loss) before the reported tax	37,299	(17,426)
Tax calculated based on the reported profit/loss	(8,205)	3,484
Amount of disallowable expenses	(258)	(178)
Amount of tax exempt income	150	168
Subsidiary tax effect (*)	(19)	(1,583)
Effect of cash dividend income	13	-
Reversal of deferred tax asset/liability(**)	5,625	-
Effect of corporation tax exemption on profit of sale of subsidiary shares	927	-
Other	11	(4)
Tax income/(expense)	(1,756)	1,887

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

(**) On 6 June 2018, 100% shares of Zeyno Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. On 6 December 2018, 100% shares of Dodo Maritime Limited and Neco Maritime Limited owned by the Company were transferred to GSD Shipping B.V.. Companies have been consolidated until the date of transfer, foreign currency translation difference reversal income is the result of the cancellation of foreign currency translation differences followed under other comprehensive income statement and equity in the scope of consolidation.

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

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31. Tax assets and liabilities (continued)

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

	31 December 2018	31 December 2017
Tax losses carried	795	574
Provision for doubtful receivables	585	449
Employee termination benefits and other employee rights	174	157
Deferred tax assets	1,554	1,180
Deferred tax assets, net	1,554	1,180

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.

The expiration date of the Company for unused tax losses is given below:

	31 December 2018	31 December 2017
31 December 2022	2,608	2,608
31 December 2023	1,006	-
	3,614	2,608

As at 31 December 2018 and 31 December 2017, movement of deferred tax assets is as follows;

	31 December 2018	31 December 2017
Opening balance	1,180	527
Deferred tax income/(expense) that is recognized in profit or loss	(2,867)	647
Deferred tax that is recognized in shareholders' equity	3,241	6
Balance at the end of period	1,554	1,180

32. Earnings/(losses) per share

Earnings/(losses) per share calculation for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Net loss for the period	35,543	(15,539)
Weighted average number of ordinary shares ^(*)	49,266	49,231
Basic earnings/(losses) expressed in 1 TL per share	0.721	(0.316)

^(*) By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. As at 31 December 2018, the Company has repurchased TL 3,411 nominal value of C group shares amounting to TL 3,223 as at the report date (31 December 2017: Repurchased TL 2,815 nominal value of C group shares amounting to TL 2,601.).

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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.

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.

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

33.1 Financial risk management purposes and policies (continued)

(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 2018		31 December 2017	
		%		%
Textile	26	100	21	100
Total	26	100	21	100

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

31 December 2018	Receivables originating from finance sector activities		Trade and other receivables		
	Related parties	Third parties	Related parties	Third parties	Bank deposits
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	-	26	179	2,422	77,623
A. Net book value of the financial assets which are undue and have not been impaired	-	-	179	2,422	77,623
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	-	26	-	-	-
- portion guaranteed by securities etc.	-	26	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	3,822	-	1,980	-
- Impairment (-)	-	(3,822)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

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As at 31 December 2018

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

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

33.2 Disclosures related to financial risk management (continued)

33.2.1 Credit risk (continued)

	Receivables originating from finance sector activities		Trade and other receivables		Bank deposits
	Related parties	Third parties	Related parties	Third parties	
31 December 2017					
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 booked value of the assets which are due but have not been impaired	-	21	-	-	-
- portion guaranteed by securities etc.	-	21	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	3,142	-	1,980	-
- Impairment (-)	-	(3,142)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

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Notes to the consolidated financial statements

As at 31 December 2018

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

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

33.2 Disclosures related to financial risk management (continued)

33.2.2 Liquidity risk

The 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 2018

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	164,504	(179,517)	(39,730)	(57,082)	(82,705)	-
Bank loans	164,192	(179,205)	(39,418)	(57,082)	(82,705)	-
Payables from finance sector activities	57	(57)	(57)	-	-	-
Trade payables	141	(141)	(141)	-	-	-
Other payables	114	(114)	(114)	-	-	-

31 December 2017

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	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)	-	-	-

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Notes to the consolidated financial statements

As at 31 December 2018

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

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

33.2.3 Market risk

Interest rate risk

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

Interest rate position table		
Financial instruments with fixed interest	31 December 2018	31 December 2017
Finance lease receivables	26	21
Time deposits	76,097	13,905
Bank loans	77,033	127,034
Financial instruments with floating interest		
Bank loans	87,159	159,807

Interest rate risk sensitivity analysis

If the interest rates of the financial instruments with floating interest, on the renewal dates were 100 base points higher/lower and all other variables were to remain stable, the net profit for the year would be TL 143 higher/lower on 31 December 2018 (31 December 2017: 86).

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Notes to the consolidated financial statements

As at 31 December 2018

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

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

33.2.3 Market risk (continued)

Foreign currency risk

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

The chart below summarizes the foreign currency position risk of the Group in detail as at the dates of 31 December 2018 and 31 December 2017. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

	Foreign currency position chart							
	31 December 2018				31 December 2017			
	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	2,420	2,420	-	-	3,123	3,123	-	-
2a. Monetary financial assets (including cash and bank accounts)	77,619	77,607	12	-	27,616	27,598	18	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-
3. Other	1,074	1,068	6	-	1,841	1,836	5	-
4. Current assets (1+2+3)	81,113	81,095	18	-	32,580	32,557	23	-
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-
7. Other	211,783	211,783	-	-	345,586	345,586	-	-
8. Non-current assets (5+6+7)	211,783	211,783	-	-	345,586	345,586	-	-
9. Total assets (4+8)	292,896	292,878	18	-	378,166	378,143	23	-
10. Trade payables	21	21	-	-	597	597	-	-
11. Financial liabilities	85,008	84,990	18	-	31,257	31,243	14	-
12a. Other (Monetary)	-	-	-	-	-	-	-	-
12b. Other (Non monetary)	1,093	1,093	-	-	834	834	-	-
13. Short-term liabilities(10+11+12)	86,122	86,104	18	-	32,688	32,674	14	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	79,229	79,229	-	-	255,615	255,615	-	-
16 a. Other (Monetary)	-	-	-	-	-	-	-	-
16 b. Other (Non monetary)	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	79,229	79,229	-	-	255,615	255,615	-	-
18. Total liabilities (13+17)	165,351	165,333	18	-	288,303	288,289	14	-
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)	127,545	127,545	-	-	89,863	89,854	9	-
21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(84,219)	(84,219)	(6)	-	(256,730)	(256,734)	4	-

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Notes to the consolidated financial statements****As at 31 December 2018***(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)***33. The nature and level of the risks that stem from financial instruments (continued)****33.2.3 Market risk (continued)****Foreign currency risk (continued)**

A 10 percent depreciation of the TL against the following currencies at 31 December 2018 and 31 December 2017 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Foreign Exchange Rate Sensitivity Analysis Table				
31 December 2018				
	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	345	(345)	12,342	(12,342)
2. Secured portion from USD risk (-)	-	-	-	-
Change of EUR by 10% against TL:				
3. Euro net asset/liability	-	-	-	-
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 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(-)	-	-	-	-

Other price risks:

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2018

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

34. Financial Instruments

Fair value of financial instruments

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

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

Financial Assets

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

The carrying values of receivables from finance sector activities as at 31 December 2018 are different from current interest rates along with the related calculated their fair values.

Financial Liabilities

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

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

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets and liabilities				
Cash and cash equivalents	77,624	77,624	27,634	27,634
Trade receivables	2,420	2,420	3,123	3,123
Other receivables	181	181	2	2
Receivables from finance sector activities	26	26	21	21
Payables from finance sector activities	57	57	94	94
Trade payables	141	141	686	686
Other payables	114	114	140	140
Bank borrowings	164,192	164,199	286,841	286,863

Classification of the fair value measurement

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

As at the 31 December 2018, there is no financial investment carried at fair value (31 December 2017: 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 2018

36. Convenience conversion of financials

The US Dollar ("USD") amounts shown in the statement of financial position and statement of profit or loss and other comprehensive income on the following pages have been included solely for the convenience of the reader. For the current period's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 5.2609 TL/USD prevailing on 31 December 2018. For the prior year's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 3.7719 TL/USD prevailing on 31 December 2017. Such translation should not be construed as a representation that the TL amounts have been converted into USD pursuant to the requirements of IFRSs or Generally Accepted Accounting Principles in the United States of America or in any other country.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi
Consolidated statement of financial position (Balance sheet)

As at 31 December 2018

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

	Audited	Audited
	31 December 2018	31 December 2017
Assets		
Current assets	15,606	8,836
Cash and cash equivalents	14,755	7,326
Trade receivables	460	828
- <i>Due from third parties</i>	460	828
Receivables from finance sector activities	5	6
- <i>Due from third parties</i>	5	6
Other receivables (net)	34	1
- <i>Due from related parties</i>	34	-
- <i>Due from third parties</i>	-	1
Inventories (net)	98	257
Prepaid expenses	77	239
- <i>Due from third parties</i>	77	239
Current income tax assets	18	1
Other current assets	146	158
- <i>Due from third parties</i>	146	158
Subtotal	15,593	8,816
Assets held for sale	14	20
Non-current assets	40,847	92,326
Financial investments	183	255
Tangible assets	40,338	91,758
- <i>Vehicles</i>	40,330	91,750
- <i>Furniture and fixtures</i>	8	8
Intangible asset	31	-
- <i>Other intangible asset</i>	31	-
Deferred tax assets	295	313
Total assets	56,454	101,162

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi
Consolidated statement of financial position (Balance sheet)
As at 31 December 2018

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

	Audited	Audited
	31 December 2018	31 December 2017
Liabilities		
Current liabilities	16,450	8,786
Short term financial borrowings	-	2,160
Due to third parties	-	2,160
- Bank loans	-	2,160
Short term portion of long term financial liabilities	16,150	6,119
Due to third parties	16,150	6,119
- Bank loans	16,150	6,119
Trade payables	27	182
- Due to related parties	3	3
- Due to third parties	24	179
Payables from finance sector activities	11	25
- Due to third parties	11	25
Other payables	20	37
- Due to third parties	20	37
Deferred income	208	221
- Due to third parties	208	221
Short term provisions	34	42
- Provisions for employee benefits	34	42
Non-current liabilities	15,188	67,930
Long-term financial liabilities	15,060	67,769
Due to related parties	-	7,506
- Bank loans	-	7,506
Due to third parties	15,060	60,263
- Bank loans	15,060	60,263
Long term provisions	128	161
- Provisions for employee benefits	128	161
Equity	24,816	24,446
Paid-in share capital	9,919	13,834
Adjustment to share capital	4,578	6,385
Repurchase of shares (-)	(613)	(690)
Premium on the shares/discount	(27)	(37)
Effect of merger under common control	(2,315)	(3,229)
Accumulated other comprehensive income that will not be reclassified to profit or loss	(1)	(7)
- Gains/losses from the revaluation and reclassification	(1)	(7)
Accumulated other comprehensive income that may be reclassified subsequently to profit or loss	15,741	21,047
- Currency translation differences	15,741	21,047
Restricted reserves	3,642	4,914
Prior years' profits/(losses)	(12,864)	(13,651)
Net profit / (loss) for the period	6,756	(4,120)
Total equity and liabilities	56,454	101,162

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Consolidated statement of profit or loss****For the year ended 31 December 2018***(Amounts expressed in thousands of US Dollar ("USD") unless otherwise stated.)*

	Audited	Audited
	31 December 2018	31 December 2017
	Audited	Audited
Continuing operations		
Marine sector revenues	14,446	15,754
Marine sector expenses (-)	(11,070)	(13,775)
Gross profit/(loss) of marine sector activities	3,376	1,979
Gross profit/(loss) from trading activities	3,376	1,979
Finance sector operating income	11	4
Foreign exchange gain	-	1
Interest income	10	2
Finance sector other operating income	1	1
Cost of finance sector activities (-)	(130)	(73)
Finance sector provision expense	-	(73)
Other finance sector operating income/(expenses), net	(130)	-
Gross profit/ (loss) from finance sector activities	(119)	(69)
Gross profit/(loss)	3,257	1,910
General administrative expenses (-)	(936)	(1,155)
Other operating income	2,103	511
Other operating expenses (-)	(901)	(222)
Operating profit/ (loss)	3,523	1,044
Income from investment activities	12,325	-
Operating profit/(loss) before financial income (expenses)	15,848	1,044
Financial expenses (-)	(8,758)	(5,664)
Profit/ (loss) before tax from continued operations	7,090	(4,620)
Tax income/expenses of continued operations	(334)	500
- Taxation on income / (expenses)	211	328
- Deferred tax income / (expenses)	(545)	172
Profit/(loss) for the period	6,756	(4,120)
Earnings / (losses) per share	0.14	(0.08)

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi
Consolidated statement of profit or loss
For the year ended 31 December 2018

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

	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
Profit / (loss) for the period	6,756	(4,120)
Other comprehensive income/(expenses)		
<i><u>Other comprehensive income or expenses not to be reclassified to profit or loss</u></i>	(1)	(7)
Gains/losses from revaluation of defined benefits	(1)	(7)
<i><u>To be reclassified as profit or loss</u></i>	(652)	3,031
Currency translation differences	(652)	3,031
		--
Other comprehensive income / (expense) (net of tax)	(651)	3,024
Total comprehensive income / (expense)	(7,407)	(1,096)
Appropriation of total comprehensive income / (expense)	(7,407)	(1,096)
Non-controlling interest	--	--
Equity holders of the parent	(7,407)	(1,096)