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

Consolidated Financial Statements
As at and For the Year Ended
31 December 2019
With Independent Auditors' Report Thereon

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

10 March 2020

This report contains "Independent Auditors' Report" comprising 4 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 53 pages and 5 pages of supplementary information.

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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 2019, 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 2019, 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.

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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 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
Impairment of tangible assets As at 31 December 2019, ships which are presented in the tangible assets, comprise 94% of the Group's total assets . 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. 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.	Our procedures for auditing significant estimates and assumptions used in testing the impairment of ships included below: • 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.

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.

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.

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- 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 10 March 2020.

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 2019, 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 Akova, SMMM
Partner

10 March 2020
Istanbul, Turkey

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position (Balance sheet)
As at 31 December 2019

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
Assets			
Current assets		**9,829**	**82,102**
Cash and cash equivalents	3	5,063	77,624
Trade receivables	7	2,248	2,420
- Due from third parties	*7.1*	*2,248*	*2,420*
Receivables from finance sector activities	8	11	26
- Due from third parties	*8.1*	*11*	*26*
Other receivables (net)	9	232	181
- Due from related parties	*6*	*230*	*179*
- Due from third parties	*9.1*	*2*	*2*
Inventories (net)	10	664	513
Prepaid expenses	11	444	405
- Due from third parties		*444*	*405*
Current income tax assets	12	195	96
Other current assets	22	896	761
- Due from third parties	*22*	*896*	*761*
Subtotal		**9,753**	**82,026**
Assets held for sale	13	76	76
Non-current assets		**239,102**	**214,897**
Investments in associates, joint ventures and subsidiaries	5	1,457	962
Tangible assets	14	235,620	212,216
- Vehicles		*235,486*	*212,172*
- Furnitures and fixtures		*134*	*44*
Right of use assets	15	926	-
Intangible Assets	16	203	165
-Other intangible assets	*16*	*203*	*165*
Deferred tax assets	31	896	1,554
Total assets		**248,931**	**296,999**

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 2019

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

	Notes	**Audited 31 December 2019**	**Audited 31 December 2018**
Liabilities			
Current liabilities		**55,095**	**86,548**
Short term borrowings	17	14,339	-
Due to related parties	17	14,339	-
- Bank loans	17.2	*14,339*	-
Short-term portion of long term financial liabilities	17	38,365	84,964
Due to related parties	6	309	-
- Lease liabilities	*6*	*309*	-
Due to third parties.	17.2	38,056	84,964
- Bank loans	*17.2*	*37,918*	*84,964*
- Lease liabilities		*138*	-
Trade payables	7	165	141
- Due to related parties	*6*	*17*	*14*
- Due to third parties	*7.2*	*148*	*127*
Payables from finance sector activities	8	41	57
- Due to third parties	*8.2*	*41*	*57*
Other payables	9	131	114
- Due to third parties	*9.2*	*131*	*114*
Deferred income	20	820	1,093
- Due to third parties		*820*	*1,093*
Current income tax liabilities	31	1,009	-
Short-term provisions	21	225	179
- Provisions for employee benefits	*21.1*	*225*	*179*
Non-current liabilities		**53,374**	**79,900**
Long-term financial liabilities	17	52,465	79,228
Due to related parties	6	386	-
- Lease liabilities	*6*	*386*	-
Due to third parties	17.2	52,079	79,228
- Bank loans	*17.2*	*51,887*	*79,228*
- Lease liabilities		*192*	-
Long-term provisions	21	909	672
- Provisions for employee benefits	*21.2*	*909*	*672*
Equity		**140,462**	**130,551**
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)	(3,223)
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	(71)	(7)
- Gains/losses from the revaluation and reclassification		*(71)*	*(7)*
Accumulated other comprehensive income that may be reclassified subsequently to profit or loss	23.7	98,537	82,810
- Currency translation differences		*98,537*	*82,810*
Restricted reserves	23.8	19,158	19,158
Prior years' profits/(losses)	23.9	(32,139)	(67,675)
Net profit / (loss) for the period		5,745	35,543
Total equity and liabilities		**248,931**	**296,999**

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 2019

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

	Notes	Audited 1 January – 31 December 2019	Audited 1 January – 31 December 2018
Continuing operations			
Marine sector revenues	24	41,285	76,000
Marine sector expenses (-)	24	(35,382)	(58,237)
Gross profit/(loss) of marine sector activities		**5,903**	**17,763**
Gross profit/(loss) from trading activities		**5,903**	**17,763**
Finance sector operating income		**10**	**58**
Foreign exchange gain	25	2	2
Interest income	25	-	52
Reversal of provision for finance operations	25	8	4
Cost of finance sector activities (-)		**(292)**	**(684)**
Other finance sector operating income/(expenses), net	25	(292)	(684)
Gross profit/(loss) from finance sector activities		**(282)**	**(626)**
Gross profit/(loss)		**5,621**	**17,137**
General administrative expenses (-)	26	(5,399)	(4,926)
Other operating income	27	8,456	11,062
Other operating expenses (-)	28	(2,753)	(4,742)
Operating profit/(loss)		**5,925**	**18,531**
Income from investment activities	29	495	64,842
Operating profit/(loss) before financial income (expenses)		**6,420**	**83,373**
Financial expenses (-)	30	(12,158)	(46,074)
Profit/ (loss) before tax from continued operations		**(5,738)**	**37,299**
Tax income/(expenses) of continued operations		**(7)**	**(1,756)**
- Taxation on income / (expenses)	31	669	1,111
- Deferred tax income / (expenses)	31	(676)	(2,867)
Profit/(loss) for the period		**(5,745)**	**35,543**
Earnings / (losses) per share	32	**(0.118)**	**0.721**

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 2019

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

	Notes	Audited 1 January – 31 December 2019	Audited 1 January – 31 December 2018
Profit / (loss) for the period		**(5,745)**	**35,543**
Other comprehensive income/(expenses)			
Other comprehensive income or expenses not to be reclassified to profit or loss		**(71)**	**(7)**
Gains/losses from revaluation of defined benefits		(71)	(7)
To be reclassified as profit or loss		**15,727**	**3,428**
Currency translation differences	23	15,727	3,428
Other comprehensive income / (expense) (net of tax)		**15,656**	**3,421**
Total comprehensive income / (expense)		**9,911**	**38,964**
Appropriation of total comprehensive income / (expense)		**9,911**	**38,964**
Non-controlling interest		**-**	**-**
Equity holders of the parent		**9,911**	**38,964**

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 2019

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

	Notes	Paid-in share capital	Adjustment to share capital	Repurchase of shares	Share Premium/ Discounts	The effect of merger under common control	Other comprehensive income or expenses not to be reclassified to profit or loss: Gains/losses from the revaluation and reclassification	Other comprehensive income or expenses to be reclassified to profit or loss: Foreign currency translation adjustment	Restricted reserves	Accumulated losses: Prior years' profits/(losses)	Accumulated losses: Net profit/loss for the period	Equity attributable to equity holders of the parent	Non- controlling interest	Total equity
Prior 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**
Current period														
1 January 2019	*23*	**52,181**	**24,085**	**(3,223)**	**(140)**	**(12,181)**	**(7)**	**82,810**	**19,158**	**(67,675)**	**35,543**	**130,551**	**-**	**130,551**
Transfers		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,543**	**(35,543)**	**-**	**-**	**-**
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	-	35,543	(35,543)	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(64)**	**15,727**	**-**	**(7)**	**(5,745)**	**9,911**	**-**	**9,911**
Net loss for the period		-	-	-	-	-	-	-	-	-	(5,745)	(5,745)	-	(5,745)
Other comprehensive income		-	-	-	-	-	(64)	15,727	-	(7)	-	15,656	-	15,656
Transactions with shareholders accounted under equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
The increase / decrease due to repurchase of shares		-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	*23*	**52,181**	**24,085**	**(3,223)**	**(140)**	**(12,181)**	**(71)**	**98,537**	**19,158**	**(32,139)**	**(5,745)**	**140,462**	**-**	**140,462**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of cash flows
For the year ended 31 December 2019

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
Cash Flows (Indirect method)			
Cash flow from operating activities		**32,024**	**82,066**
Profit/(loss) for the period		**(5,745)**	**35,543**
Profit/(loss) from continuing operations		(5,745)	35,543
Adjustments related with the reconciliation of net profit/(loss) for the period:		**23,127**	**19,143**
Adjustments related to depreciation and amortization	14,15,16	15,167	21,270
Adjustments related to provisions		454	322
Provisions for employee benefits		*462*	*326*
Other provisions		*(8)*	*(4)*
Adjustments related to interest expenses and income		6,467	15,535
Interest income		*(1,010)*	*(596)*
Interest expenses		*7,477*	*16,131*
Adjustments related to unrealized foreign currency translation differences		1,032	(19,740)
Adjustments related to tax (income)/expenses		7	1,756
Realized changes in working capital		**16,230**	**28,395**
Changes in financial investments		(495)	-
Adjustments related to changes in trade receivables		172	703
Changes in trade receivables		172	703
Changes in receivables from financial activities		*15*	*(5)*
Adjustments related to changes in other receivables related to operations		(51)	(179)
Changes in due from other receivables		*(51)*	*(179)*
Adjustments related to changes in inventories	10	(151)	457
Changes in prepaid expenses	11	(39)	495
Adjustments related to changes in trade payables		24	(545)
Changes in due to trade payables		*3*	*2*
Changes in other trade payables		*21*	*(547)*
Change in finance sector payables		(16)	(37)
Adjustments related to the changes in other payables related to operations		17	(26)
Changes in other payables related to operations		*17*	*(26)*
Changes in deferred income		(273)	259
Adjustments related to other changes in working capital		17,027	27,273
Changes in other assets related to operations		*12,528*	*71,059*
Changes in other liabilities related to operations		*4,499*	*(43,786)*
Cash flows derived from operating activities		**33,612**	**83,081**
Interest received		1,082	527
Employee benefits paid		(179)	(244)
Tax paid		(2,491)	(1,298)
Cash flows from investing activities		**(10,352)**	**57,363**
Proceeds from disposal of shares of subsidiaries with loss of control		-	65,305
Purchase of tangible assets	14	(10,219)	(7,832)
Purchase of intangible assets	16	(133)	(170)
Dividends received	29	-	60
Cash flow from financing activities		**(94,400)**	**(94,374)**
Cash outflow from repurchase of shares and purchase of other equity instruments		-	(622)
Cash outflow from repurchase of shares		-	*(622)*
Cash inflows from borrowings		13,849	19,741
Cash inflows from bank loans		*13,849*	*19,741*
Cash outflows from payment of financial borrowings		(99,249)	(97,142)
Cash outflows repayments of bank loans		*(99,249)*	*(97,142)*
Cash outflows on debt payments from lease contract		(532)	-
Interest paid		(8,468)	(16,351)
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		**(72,728)**	**45,055**
Effect of change in foreign exchange rates on cash and cash equivalents		69	5,437
Net increase/(decrease) in cash and cash equivalents		**(72,659)**	**50,492**
Cash and cash equivalents at 1 January		**76,232**	**25,740**
Cash and cash equivalents at 31 December	2.5(o)	**3,573**	**76,232**

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

(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 2019, 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 2019 the Company has 10 employees (31 December 2018: 9).

As at 31 December 2019 and 31 December 2018 information about shareholders and their percentages are as follows:

	31 December 2019		**31 December 2018**	
	Amount	**%**	**Amount**	**%**
GSD Holding A.Ş. ("GSD Holding")	40,679	77.96	40,679	77.96
Listed	8,090	15.50	8,090	15.50
GSD Denizcilik Gayr.İnş.San Ve Tic.A.Ş. (Repurchased shares)	3,411	6.54	3,411	6.54
Other	1	-	1	-
Historical amount	**52,181**	**100.00**	**52,181**	**100.00**
Share capital inflation adjustment differences	24,085		24,085	
Adjustment for inflation amount	**76,266**		**76,266**	

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

1. Organization and operations of the Company (continued)

As at 31 December 2019 and 31 December 2018, the distribution of the Company's shares on the basis of group is as follows:

	31 December 2019	31 December 2018
Group A	8,976	8,976
Group B	3,741	3,741
Group C	37,219	37,219
Group D	2,245	2,245
	52,181	**52,181**

Every shareholder has voting right in proportion to the shares. However, Group A, B and D shareholders are priviledged in the selection of the Board of Directors, and Group A and B shareholders are priviledged in electing auditors. There are no priviledges given to shareholders in the process of profit distribution. GSD Holding holds the entire Group A, B and D shares and it holds Group C shares 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 2019, 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 2019	31 December 2018
Cano Maritime Ltd.	Malta	Marine	100,00	100,00
Hako Maritime Ltd.	Malta	Marine	100,00	100,00
Zeyno Maritime Ltd. (*)	Malta	Marine	-	-
Dodo Maritime Ltd. (**)	Malta	Marine	-	-
Neco Maritime Ltd. (**)	Malta	Marine	-	-

(*) 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.

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.

Inflation accounting has been applied, in accordance with Turkish Accounting Standards on "Preparation of Financial Statements in Hyperinflationary Periods" ("TAS 29"), in the consolidated financial statements of the Group until 31 December 2004.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 consolidated financial statements were approved and authorized for issue by the Board of Directors based on the Board of Directors decision dated 10 March 2020. The General Assembly and/or legal authorities have the authority to change the consolidated financial statements.

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 finacial assets available for sale which are measured at fair value and assets held for sale which are measured at lower of cost or fair value less costs to sell. The Group companies which are in the scope of consolidation Cano Maritime Limited, Hako Maritime Limited, 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 involment with the investee; and
- has the ability to use its power to affect its returns

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

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

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

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

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 2019 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 reclassed 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 2018. Changes in accounting policies are also expected to be applied in the financial statements of the Group for the year ended 31 December 2019. The details of the new significant accounting policies and the nature of the changes to previous accounting policies are set out below. The Group has started to apply TFRS 16 Leases standard ("TFRS 16") starting from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group has no effect on the retained earnings of the Group as at 1 January 2019 due to the preferred practical expedients method of the application of TFRS 16. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under TAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of Leasing

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under TFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies (continued)

a) Definition of Leasing (continued)

On transition to TFRS 16, the Group elected to apply it as it used to be defined as a lease by using the practical expedient to the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRIC 4 were not reassessed.

Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

b) As a lessee

The Group leases properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group presents lease liabilities in "Borrowings" in the statement of financial position.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Group classified property leases as operating leases under TAS 17. These include properties and vehicles.

At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application or

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments the Group applied this approach to all other leases.

(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)

ii. Transition (continued)

The Group used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases were classified as finance leases under TAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under TAS 17 immediately before that date.

c) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under TAS 17. The Group is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor.

d) Impacts on financial statements

i. Impacts on transition

The Group has started to apply TFRS 16 Leases standard ("TFRS 16") with used used the practical expedients at 1 January 2019.

As at 1 January 2019, the Group recognises to the consolidated financial statements the right of use asset on an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments for the leases previously classified as operating leases under TAS 17.

Transition to TFRS 16 has no effect on the retained earnings of the Group as at 1 January 2019 due to the preferred practical expedients method of the application of TFRS 16.

Operating lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date.

	1 January 2019
Right of use assets	882
Lease liabilities	882

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rates applied are 25% for TL, 4% for Euro.

	1 January 2019
Operating lease commitment at 31 December 2018	921
Discounted using the incremental borrowing rate at 1 January 2019	882
Short term leases exemption	(39)
Lease liabilities recognised at 1 January 2019	882

ii. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 926 of right-of-use assets and TL 1,025 of lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised TL 397 thousand of depreciation charges and TL 228 thousand of interest costs from these leases.

2. Basis of presentation of financial statements (continued)

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 21 - Provisions for employee benefits

2.4 New standards and interpretations not yet effective and early adopted as at 31 December 2019

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. These are as follows:

The revised Conceptual Framework (version 2018)

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 June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). 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. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group does not expect significant impact on its consolidated financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

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 to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3).

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2019 (continued)

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

Amendments to IFRS 3 - Definition of a Business (continued)

With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. 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 TFRS 3 will have significant impact on its consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2019. In 2018, the IASB determined the issues to be dealt with before and after the amendment of the international benchmark interest rates and classified them as pre and amendment matters.

• pre-replacement issues—issues affecting financial reporting in the period before the reform; and

• replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

As a result of these changes, exemptions were made in four basic issues in financial hedge accounting in TFRS 9 and TAS 39. These issues are:

(a) The highly probable requirement;

(b) Prospective assessments;

(c) IAS 39 retrospective assessment; and

(d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted. This standard is assessing the potential impact on its consolidated financial statements and performance resulting from the changes and improvements.

2.5 Summary of significant accounting policies

(a) Financial instruments

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

Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities.

However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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

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

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

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

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

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

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

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.

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of Financial Assets (continued)

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 TFRS - 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.

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.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Other financial Iiabilities

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.

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.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(b) Tangible Assets and Depreciation

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

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(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 (TAS 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.

(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)

(e) Provision for employee severance payments (continued)

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 2019	31 December 2018
Net discount rate	11.56%	18.88%
Expected rate of salary / limit increase	7.00%	9.50%
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 6,379.86 (31 December 2018: full TL 5,434.42) which is effective as at 31 December 2019 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 occured 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

General model for accounting of revenue

In accordance with IFRS 15, a five-step model is followed in recognizing revenue for all contacts with customers.

Step 1: Identify the contract

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

Step 2: Identify the performance obligations

The Group defines the "performance obligations" as a unit of account for revenue recognition. The company assesses the goods or services it has committed in a contract with the customer and determines each commitment to the customer as one of the performan obligations as a performans obligation:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

Step 3: Determine the transaction price

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have a sales transaction with a significant financiang component.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocate the transaction price

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Recognize revenue

An entity recognizes revenue over time when one of the following criterias are met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

Contract changes

If the Group commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

The Company transfers revenue to a customer and recognizes the revenue in its financial statements as per it fulfills or when it fulfills the performans obligation.

(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.

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

(iii) Dividend Income

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

(iv) Other Income / Expense

Other income and expenses are recognized on accrual basis.

(v) Financial Income / Expense

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

(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).

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(i) Related Parties (continued)

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

(j) Earning/Loss 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

The accounting for operating leases, in which the Group is the lessee is explained in Note 2.2.

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.

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(o) Statement of Cash Flows

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

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

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

As at 31 December 2019 and 2018, 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 2019	**31 December 2018**
Cash	2	1
Banks	3,751	76,231
	3,573	**76,232**

(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.

Foreign currency translation differences are recorded in other comprehensive income and are shown in foreign currency translation differences reserve under equity. When the control, significant effect or joint control is lost as a result of the sale of foreign activity, the amount accumulated in the foreign currency translation differences related to this foreign activity is reclassified to profit or loss as part of sales profit or loss.

(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)

Financial statements of foreign subsidiaries (continued)

Exchange rates as at 31 December 2019 and 31 December 2018 that were used by the Company are as follows;

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EURO	6.6506	6.0280

(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 2019 and 31 December 2018, cash and cash equivalents are as follows;

	31 December 2019	31 December 2018
Cash at banks	5,061	77,623
Demand deposit	*2,982*	*1,526*
Time deposit	*2,079*	*76,097*
Cash on hands	2	1
Total cash and cash equivalents included in the balance sheet	**5,063**	**77,624**
Accrued interest income on cash and cash equivalents	(4)	(76)
Blocked deposits	(1,486)	(1,316)
Total cash and cash equivalents included in the cash flow	**3,573**	**76,232**

As at 31 December 2019, the time deposits comprised bank placements in USD. As at 31 December 2019 interest rate is 2.35% for USD denominated bank accounts (31 December 2018: %1.25 - %5.15 for USD). 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 2019 and 31 December 2018, there is no financial asset at fair value through profit or loss.

5. Investments in subsidiaries, business partnerships and subsidiaries

Investments in subsidiaries, business partnerships and subsidiaries

As at 31 December 2019 and 31 December 2018, investments in subsidiaries, business partnerships and subsidiaries consist of unlisted equity investments. As at 31 December 2019 and 31 December 2018, the details of investments in subsidiaries, business partnerships and subsidiaries are as follows:

	31 December 2019		31 December 2018	
	% of shares	Carrying value	% of shares	Carrying value
Not Listed				
GSD Faktoring A.Ş.	1.98	1,457	1.98	962
		1,457		**962**

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

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 2018: 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 2019	31 December 2018
Deposit at banks	2	1
GSD Yatırım Bankası A.Ş.	*2*	*1*
Lease liabilities	695	-
M. Turgut Yılmaz	*695*	-

b) Other balances and transactions with related parties

As at 31 December 2019 and 31 December 2018, other receivables due to related parties are as follows;

	31 December 2019	31 December 2018
Mila Maritime Limited	48	48
Dodo Maritime Limited	46	44
Neco Maritime Limited	89	44
Zeyno Maritime Limited	47	43
Total	**230**	**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 2019 and 31 December 2018, trade payables due to related parties are as follows;

	31 December 2019	31 December 2018
GSD Holding A.Ş.	17	14
Total	**17**	**14**

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

Transactions with related parties as at 31 December 2019 and 31 December 2018 are as follows;

Group companies of the parent	31 December 2019	31 December 2018
Mila Maritime Ltd.-Commercial management commission	629	346
Zeyno Maritime Ltd.- Commercial management commission	541	319
Neco Maritime Ltd.- Commercial management commission	474	42
Dodo Maritime Ltd.- Commercial management commission	487	45
GSD Faktoring A.Ş.- Dividends	495	60
GSD Yatırım Bankası A.Ş. - Interest income	-	32
Zeyno Maritime Ltd – Interest income	-	26
GSD Yatırım Bankası A.Ş. - Share payments	(265)	(121)
GSD Holding - Share payments	(171)	(146)
M. Turgut Yılmaz - Rent expenses	(400)	(356)
GSD Yatırım Bankası A.Ş.- Interest expenses	(82)	(1,427)

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

6. Related party disclosures (continued)

(c) Derivative financial transactions

As at 31 December 2019, the Group does not have any derivative transactions with related parties (31 December 2018: None).

(d) Key management benefits

Total benefit of key management for the period ended 31 December 2019 is TL 1,381 (31 December 2018: TL 1,256).

(e) Other related party transactions

As at 31 December 2019, GSD Holding has provided surety amounting to TL 408,449 to credit institutions as a guarantee against its open lines of credit (31 December 2018: TL 362,426).

7. Trade receivables and payables

7.1 Trade receivables

As at 31 December 2019 and 31 December 2018, details of trade receivables are as follows;

	31 December 2019	31 December 2018
Trade receivables from marine activities	2,248	2,420
Doubtful trade receivables	1,980	1,980
Provision for doubtful trade receivables	(1,980)	(1,980)
	2,248	**2,420**

As at 31 December 2019 and 31 December 2018, movements in the provision for doubtful trade receivables:

	31 December 2019	31 December 2018
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 2019 and 31 December 2018, details of trade payables are as follows;

	31 December 2019	31 December 2018
Trade payables from VAT refund receivables	121	107
Trade payables from marine activities	27	20
Other trade payables (*)	17	14
	165	**141**

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

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

8. Receivables and payables from finance sector activities

8.1 Receivables from finance sector activities

As at 31 December 2019 and 31 December 2018, details of short-term receivables from finance sector operations are as follows;

	31 December 2019	31 December 2018
Finance lease receivables (net)	11	26
Doubtful receivables	4,113	3,822
Provision for doubtful receivables	(4,113)	(3,822)
	11	**26**

The Group does not have long-term receivables from finance sector operations as at 31 December 2019 (31 December 2018: None). The Group's credit, liquidity and market risk exposures resulting from financial sector receivables are disclosed in Note 33.

8.1.1 Finance lease receivables

As at 31 December 2019 and 31 December 2018, details of finance lease receivables are as follows;

	31 December 2019	31 December 2018
Short-term finance lease receivables		
Finance lease receivables, not due	16	30
Unearned interest income (-)	(5)	(4)
Short-term finance lease receivables, net	**11**	**26**
Total finance lease receivables, net	**11**	**26**

8.1.2 Doubtful receivables

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

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

	31 December 2019	31 December 2018
Balance at January 1	3,822	3,142
Current period provisions (Note 25)	292	684
Current period collections (-)	(1)	(4)
Provision net of recoveries	**291**	**680**
Balance at 31 December	**4,113**	**3,822**

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 2019 and 31 December 2018, details of payables from finance sector operations are as follows;

	31 December 2019	31 December 2018
Advances received	41	57
	41	**57**

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

9. Other receivables and payables

9.1 Other receivables

As at 31 December 2019 and 31 December 2018, details of other receivables are as follows;

	31 December 2019	31 December 2018
Other receivables due to related parties	230	179
Other receivables	2	2
	232	**181**

9. Other receivables and payables (continued)

9.2 Other payables

As at 31 December 2019 and 31 December 2018, details of other payables are as follows;

	31 December 2019	31 December 2018
Other tax payables	88	72
Social security premium payables	41	35
Other	2	7
	131	**114**

10. Inventories

As at 31 December 2019 and 31 December 2018, details of inventories are as follows;

	31 December 2019	31 December 2018
Ship oil	664	513
	664	**513**

11. Prepaid expenses

As at 31 December 2019 and 31 December 2018, details of prepaid expenses that are classified in current assets are as follows;

	31 December 2019	31 December 2018
Insurance expenses	406	340
Ship annual tonnage tax expenses	21	19
Prepaid miscellaneous expenses	12	32
Ship annual registration fee expenses	5	3
Prepaid loan commission expenses	-	11
	444	**405**

As at 31 December 2019 and 31 December 2018, there are no prepaid expenses classified in non-current assets.

12. Current income tax assets

As at 31 December 2019, the current income tax assets amounting to TL 195 consist of tax deductions from interest income derived from bank deposits which are not yet deducted (31 December 2018: TL 96).

13. Assets held for sale

As at 31 December 2019, 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 2018: TL 76).

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

14. Tangible Assets

Movement of tangible assets for the period ended 31 December 2019 are as follows;

	1 January 2019	Additions	Disposals	Currency translation differences	31 December 2019
Cost					
Ships	270,126	2,679	-	34,879	307,684
Drydock	3,812	7,430	-	1,006	12,248
Machinery and equipment	26	-	-	-	26
Vehicles	509	-	-	-	509
Furnitures and fixtures	1,492	110	(34)	-	1,568
	275,965	**10,219**	**(34)**	**35,885**	**322,035**

	1 January 2019	Current year charge	Disposals	Currency translation differences	31 December 2019
Accumulated depreciation					
Ships	61,647	12,781	-	7,958	82,386
Drydock	508	1,772	-	66	2,346
Machinery and equipment	26	-	-	-	26
Vehicles	120	103	-	-	223
Furnitures and fixtures	1,448	19	(33)	-	1,434
	63,749	**14,675**	**(33)**	**8,024**	**86,415**
Net book value	**212,216**				**235,620**

Movement of tangible assets for the year 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**

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

14. Tangible Assets (continued)

As at 31 December 2019 and 31 December 2018, the ships were pledged to banks in return for the borrowings used for financing the ships (Note 18).

Group 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 2019 in accordance with TAS 36 and has not booked a provision for impairment as at 31 December 2019 since the value of use are higher than carrying amounts for each of the two 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. Right of use assets

As at 31 December 2019 and 31 December 2018, details of right of use assets are as follows;

	1 January 2019 (*)	Additions	Disposals	Currency translation differences	31 December 2019
Cost					
Buildings	813	111	-	-	924
Vehicles	69	330	-	-	399
	882	**441**	**-**	**-**	**1,323**

	1 January 2019	Current year charge	Disposals	Currency translation differences	31 December 2019
Accumulated depreciation					
Buildings	-	290	-	-	290
Vehicles	-	107	-	-	107
	-	**397**	**-**	**-**	**397**
Net book value	**882**				**926**

(*) The effect of the changes in accounting policy.

31 December 2018: None.

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

16. Intangible assets

As at 31 December 2019 and 31 December 2018, details of intangible assets of the Group are as follows:

	31 December 2019	31 December 2018
Net book value at the beginning of the period	165	-
Addition to software rights	133	170
Current period depreciation	(95)	(5)
Net book value	**203**	**165**

17. Financial liabilities

17.1 Borrowing costs

In the consolidated financial statements of the Group dated 31 December 2019, there is no capitalized borrowing cost (31 December 2018: None).

17.2 Bank borrowings

As at 31 December 2019 and 31 December 2018 borrowings consist of bank loans. Details of bank loans are as follows:

		31 December 2019			31 December 2018		
	Currency	Original amount	Carrying amount	Interest rate %	Original amount	Carrying amount	Interest rate %
Fixed interest	USD	2,414	14,339	4.25%	-	-	-
Short-term borrowings		**2,414**	**14,339**			**-**	
Fixed interest	USD	-	-	-	14,643	77,033	4.50-5.80%
Floating interest	USD	6,383	37,918	Libor 3M + 2.80%, Libor 3M + 3.15%	1,508	7,931	Libor 3M+2.80%, Libor 3M+3.15%
Short-term portion of long-term bank borrowings			**37,918**			**84,964**	
Floating interest	USD	8,735	51,887	Libor 3M + 3.15%	15,060	79,228	Libor 3M + 2.80%, Libor 3M + 3.15%
Long-term portion of long-term bank borrowings			**51,887**			**79,228**	
Total long-term borrowings			**89,805**			**164,192**	
Total			**104,144**			**164,192**	

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 2019		31 December 2018	
	Fixed interest	Floating interest	Fixed interest	Floating interest
Up to 1 year	14,339	37,918	77,033	7,931
Up to 2 years	-	51,887	-	33,274
Up to 3 years	-	-	-	45,954
	14,339	**89,905**	**77,033**	**87,159**

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

18. Commitments

18.1 Guarantees given

The Guarantees, Pledges and Mortgages ("GPMs") that the Company gave as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
GPMs given by the Company	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**	**Total TL Equivalent**	**TL**	**USD (TL Equivalent)**
A. Total Amount of GPMs that were Given on Behalf of Its Own Legal Entity	**35,911**	**133**	**35,778**	**36,161**	**-**	**36,161**
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	133	133	-	-	-	-
3. Cash	1,486	-	1,486	1,316	-	1,316
4. Tangible asset mortgage given as cash collateral surety (*)	-	-	-	-	-	-
5. Participation share given as cash collateral surety (*)	34,292	-	34,292	34,845	-	34,845
B. Total Amount of GPMs that was Given in Favor of the Partnerships that were Included in the Scope of Full Consolidation	**162,464**	**-**	**162,464**	**215,188**	**-**	**215,188**
1. Bails given as cash collateral surety (*)	89,805	-	89,805	128,029	-	128,029
2. Tangible asset mortgage given as cash collateral surety (*)	72,659	-	72,659	87,159	-	87,159
3. Bank deposit pledge given as cash collateral	-	-	-	-	-	-
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	**32,705**	**-**	**32,705**	**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 (**)	32,705	-	32,705	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	**231,080**	**133**	**230,947**	**300,273**	**-**	**300,273**

(*) M/V Cano and M/V Hako owned by Cano Maritime Limited and Hako 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.

(**) 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 2019 and 31 December 2018, 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 2019	**31 December 2018**
Banks	231,080	300,273
	231,080	**300,273**

As at 31 December 2019 and 31 December 2018, 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 2019, the rate of the other GPMs the Company have given to the Company's shareholders' equity is 23% (31 December 2018: 37%).

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

18. Commitments (continued)

18.2 Guarantees Taken

As at 31 December 2019 and 31 December 2018, the details of the guarantees that were obtained in return for the Company's receivables from finance sector activities are as follows:

	31 December 2019	31 December 2018
Mortgages	3,721	3,721
	3,721	**3,721**

18.3 Other

As at 31 December 2019, GSD Holding has provided surety amounting to TL 408,449 to credit institutions as a guarantee against its open lines of credit (31 December 2018: TL 362,426).

19. Employee benefit obligations

The Company does not have any employee benefit obligations as at 31 December 2019 (31 December 2018: None).

20. Deferred income

As at 31 December 2019, the amount of deferred income amounting to TL 820 stems from early collection of monthly rents of ships (31 December 2018: TL 1,093).

21. Provision for employee benefits

21.1 Provision for short-term employee benefits

As at 31 December 2019 and 31 December 2018, details of provision for short-term employee benefits are as follows:

	31 December 2019	31 December 2018
Employee bonus provision	225	179
	225	**179**

As at 31 December 2019 and 31 December 2018, the movement of employee bonus provision is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	179	160
Paid provision for the current period	(179)	(160)
Provision for the current period	225	179
Balance at the end of the period	**225**	**179**

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

21. Provision for employee benefits (continued)

21.2 Provision for long-term employee benefits

As at 31 December 2019 and 31 December 2018, details of provision for long-term employee benefits are as follows;

	31 December 2019	31 December 2018
Provision for employee benefits	909	672
Employee termination benefit provision	*414*	*272*
Unused vacation provision	*495*	*400*
	909	**672**

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 6,379.86 as at 31 December 2019 (31 December 2018: full TL 5,434.42). 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 2019 and 31 December 2018, movement of provision for employee termination benefits is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	272	290
Actuarial gain/loss	89	9
Interest cost	17	15
Provision for the current period	36	29
Provision payment for the current period	-	(71)
Balance at the end of the period	**414**	**272**

Unused vacation provision

According to the governing labor law in Turkey, in case the labor contract ends for some reason, the Company is obliged to pay the earning that the employees are entitled but did not use to that person or beneficiaries as at that person's earning on the contract ending date. According to TAS 19 unused vacation provisions identified as "Benefits to employees" are accrued in the earned periods and are not discounted. The provision for the unused leaves as at 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018, movement of provision for unused vacations is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	400	319
Paid provision for the current period	-	(13)
Provision for the current period	95	94
Balance at the end of the period	**495**	**400**

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

22. Other current and non-current assets

As at 31 December 2019 and 31 December 2018, details of other current assets are as follows:

	31 December 2019	**31 December 2018**
Deferred VAT	896	742
Advances given to personnel and job	-	19
	896	**761**

As at 31 December 2019 and 31 December 2018, the Group does not have other non-current assets.

23. Equity

23.1 Paid-in share capital

As at 31 December 2019, the Company's nominal value of authorized share capital amounts to TL 52,181 (31 December 2018: 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 2019 and 31 December 2018, the shareholding structure of the Company is disclosed in Note 1.

23.2 Adjustment to share capital

As at 31 December 2019, the Company's inflation-adjustment differences amount to TL 24,085 (31 December 2018: TL 24,085).

23.3 Repurchase of shares (-)

By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares up to 10 percent of paid-in share capital according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. The Company has repurchased 3,411 of TL nominal value of Group C shares amounting to TL 3,223 as at report date (31 December 2018: TL 3,223).

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 2019, share premium of the Company is TL 1 and sales losses of repurchased shares is TL 141 (31 December 2018: share premium is TL 1 and sales losses of repurchased shares is TL 141).

23.5 The effect of merger under common control

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

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

23. Equity (continued)

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

As at 31 December 2019, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL (12,181) (31 December 2018: 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 71 as at 31 December 2019 (31 December 2018: TL 7).

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 2019, foreign currency translation differences of the Company amount to TL 98,537 (31 December 2018: TL 82,810).

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 2019 and 31 December 2018, restricted reserves movement is as follows:

	31 December 2019	31 December 2018
Primary legal reserves	6,875	6,875
Special funds	6,747	6,747
Repurchased share provision / (classification) (*)	3,223	3,223
Legal reserves inflation differences	2,313	2,313
Balance at the end of the period	**19,158**	**19,158**

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

23.9 Prior years' profits/(losses)

As at 31 December 2019 and 31 December 2018, movements of prior years' profits/(losses) are as follows:

	31 December 2019	31 December 2018
Balance at 1 January	(67,675)	(51,489)
Profits/(losses) for the prior period	35,543	(15,539)
Repurchase of shares (provision)/classification	-	(622)
Gains/losses from defined benefits plan	(7)	(25)
Balance at end of period	**(32,139)**	**(67,675)**

23. Equity (continued)

23.10 Distribution on earnings

Listed companies distribute dividends as required by the Turkish Commercial Code ("TCC") and the CMB as follows:

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.

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

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

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

Profit distribution policy

The Ordinary General Assembly of the Company has resolved on 31 May 2018 that the profit distribution policy of Company for the year 2018 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.

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

23. Equity (continued)

23.10 Distribution on earnings (continued)

Decision on distribution

By the General Assembly Meeting of the year 2018 dated 23 May 2019, it has been decided to offset the net profit of TL 35,543 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 periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Ship lease income	38,846	74,404
Revenues from intra-group service activities	2,163	752
Fuel purchasing and selling difference income	-	109
Other income	276	735
Marine sector income	**41,285**	**76,000**
Ship depreciation expense	(14,553)	(21,150)
Personnel expenses	(11,283)	(19,479)
Various ship equipment, oil and fuel expenses	(5,455)	(9,604)
Ship insurance expenses	(1,536)	(2,621)
Technical management fees	(1,378)	(2,197)
Maintanence and repair expenses	(28)	(1,797)
Rent expense paid back	(313)	(743)
Expenses from intra-group service activities	(738)	(132)
Other expenses	(98)	(514)
Marine sector expenses	**(35,382)**	**(58,237)**
Gross profit/(loss) from marine sector activities	**5,903**	**17,763**

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

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

The details of interest and other income and interest, commission and other expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Finance lease interest income	-	52
Finance lease receivables default income	8	4
Finance lease receivables foreign exchange gains	2	2
Total interest and other income	**10**	**58**
Provision for finance operations	(292)	(684)
Total finance sector acivities income/(expenses), net	**(292)**	**(684)**
Gross profit/(loss) from finance sector activities	**(282)**	**(626)**

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

26. General administrative expenses

The details of general administrative expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	3,790	3,329
Depreciation expenses	614	120
Purchases of services from related parties expenses	287	261
Vehicle and travel expenses	259	283
Audit expenses	205	138
Donation, support, social responsibility expenses	50	85
Quotation expenses	8	9
Tax, duty and charge expenses	7	119
Other	179	582
Total	**5,399**	**4,926**

The details personnel expenses that are included in general administrative expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Wages and salaries	3,012	2,783
Social security premium expenses – employer's share	284	230
Employee termination benefit, unused vacation and bonus provision expenses	177	129
Employee termination benefit and bonus paid	317	187
Total	**3,790**	**3,329**

27. Other operating income

The details of other operating income for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign currency exchange income from operations	7,197	10,203
Interest received from banks	1,010	596
Employee termination benefit cancellation income	-	71
Other	249	192
Total	**8,456**	**11,062**

28. Other operating expenses

The details of other operating expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign currency exchange losses from operations	2,753	4,742
Total	**2,753**	**4,742**

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

29. Income/expenses from investment activities

The details of income from investment activities for the periods ended 31 December 2019 and 31 December 2018 are as follows;

	1 January- 31 December 2019	1 January- 31 December 2018
Gain on sale of subsidiaries and foreign currency translation adjustments cancellation income (*)	-	64,752
Dividend income	495	60
Interest income from investments not included in long-term assets and cash equivalents	-	26
Other income	-	4
Total	**495**	**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 periods ended 31 December 2019 and 31 December 2018.

30. Financial income and expenses

The Group does not have any financial income for the periods ended 31 December 2019 and 31 December 2018.

The details of financial expenses for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January - 31 December 2018
Foreign currency exchange losses from borrowings	4,681	29,943
Interest expense	7,402	16,026
Other financial expenses	75	105
Total	**12,158**	**46,074**

31. Tax Assets and Liabilities

Corporation Tax

As at 31 December 2019, corporation tax rate is 22% (31 December 2018: 22%). 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%. 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 2019, the advance tax rate is 22%. 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.

31. Tax Assets and Liabilities (continued)

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 2019 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.

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.

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

31. Tax Assets and Liabilities (continued)

Investment Incentives (continued)

As at 31 December 2019, 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 2019, the Group will be able to use the unused investment discount that amounts to TL 160,707 (31 December 2018: TL 135,267) by deducting from the future income. The Group does not calculate any deferred tax assets over the unused investment incentive.

Transfer Pricing

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

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

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

The tax provisions for the periods ended 31 December 2019 and 31 December 2018 consist of the following:

Current period income tax	**1 January-31 December 2019**	**1 January-31 December 2018**
Current period corporation tax income/(expenses) (*)	669	1,111
Deferred tax income/(expenses)	(676)	(2,867)
Total tax income/(expenses)	**(7)**	**(1,756)**

(*) 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.

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

31. Tax assets and liabilities (continued)

For the periods ended 31 December 2019 and 31 December 2018, 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 2019	**1 January- 31 December 2018**
Profit/(loss) before the reported tax	(5,738)	37,299
Tax calculated based on the reported profit/loss	1,262	(8,205)
Amount of disallowable expenses	(471)	(258)
Amount of tax exempt income	292	150
Subsidiary tax effect (*)	(1,312)	(19)
Effect of cash dividend income	109	13
Reversal of deferred tax asset/liability(**)	-	5,625
Effect of corporation tax exemption on profit of sale of subsidiary shares	-	927
Other	113	11
Tax income/(expense)	**(7)**	**(1,756)**

(*) 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 effecs of the evaluation differences between TFRS and Tax Procedural Law (TPL).

As at 31 December 2019 and 31 December 2018, the list of temporary differences and related deferred tax assets and liabilities by using current tax rates are as follows:

	31 December 2019	**31 December 2018**
Tax losses carried	-	795
Provision for doubtful receivables	643	585
Employee termination benefits and other employee rights	232	174
Other	21	-
Deferred tax assets	**896**	**1,554**
Deferred tax assets,net	**896**	**1,554**

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

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

31. Tax assets and liabilities (continued)

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

	31 December 2019	31 December 2018
31 December 2022	-	2,608
31 December 2023	-	1,006
	-	**3,614**

As at 31 December 2019 and 31 December 2018, movement of deferred tax assets is as follows;

	31 December 2019	31 December 2018
Opening balance	1,554	1,180
Deferred tax income/(expense) that is recognized in profit or loss	(676)	(2,867)
Deferred tax that is recognized in shareholders’ equity	18	3,241
Balance at the end of period	**896**	**1,554**

32. Earnings/(losses) per share

Earnings/(losses) per share calculation for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Net profit /(loss) for the period	(5,745)	35,543
Weighted average number of ordinary shares(*)	48,770	49,266
Basic earnings/(losses) expressed in 1 TL per share	**(0.118)**	**0.721**

(*) 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 2019, 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 2018: Repurchased TL 3,411 nominal value of C group shares amounting to TL 3,223.).

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.

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

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

33.1 Financial risk management purposes and policies (continued)

33.1.1 Credit risk (continued)

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 marine operations, investment activities and bank credits). Since the financial statements of the Group are prepared based on Turkish Lira, the mentioned financial statements are affected by the floating of the foreign currencies with respect to Turkish Lira.

(ii) Interest rate risk

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

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

The Group deals with interest rate risk in terms of market risk management and asset-liability management.

33.2. Disclosures related to financial risk management

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

	31 December 2019	%	31 December 2018	%
Textile	11	100	26	100
Total	**11**	**100**	**26**	**100**

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

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

33.2 Disclosures related to financial risk management (continued)

33.2.1 Credit risk (continued)

As at 31 December 2019 and 31 December 2018, the assets of the Company which are qualified as credits exposed to credit risk are as in the following table:

	Receivables originating from finance sector activities		**Trade and other receivables**		
31 December 2019	**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)	**-**	**11**	**230**	**2,250**	**5,061**
A. Net book value of the financial assets which are undue and have not been impaired	-	-	230	2,250	5,061
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	-	11	-	-	-
- portion guaranteed by securities etc.	-	11	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	4,113	-	1,980	-
- Impairment (-)	-	(4,113)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

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

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

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		
31 December 2018	**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 booked 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	-	-	-	-	-

(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 2019

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	**104,481**	**(109,867)**	**(18,142)**	**(38,307)**	**(53,418)**	**-**
Bank loans	104,144	(109,530)	(17,805)	(38,307)	(53,418)	-
Payables from finance sector activities	41	(41)	(41)	-	-	-
Trade payables	165	(165)	(165)	-	-	-
Other payables	131	(131)	(131)	-	-	-

31 December 2018

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	**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)	-	-	-

(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

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 2019**	**31 December 2018**
	Finance lease receivables	11	26
	Time deposits	2,079	76,097
	Bank loans	14,339	77,033
Financial instruments with floating interest			
	Bank loans	89,805	87,159

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 loss for the period would be TL 48 higher/lower on 31 December 2019 (31 December 2018: TL 143).

(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 2019 and 31 December 2018. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

	Foreign currency position chart							
	31 December 2019				31 December 2018			
	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	2,248	2,248	-	-	2,420	2,420	-	-
2a. Monetary financial assets (including cash and bank accounts)	5,028	5,018	10	-	77,619	77,607	12	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-
3. Other	1,071	1,071	-	-	1,074	1,068	6	-
4. Current assets (1+2+3)	**8,347**	**8,337**	**10**	**-**	**81,113**	**81,095**	**18**	**-**
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-
7. Other	235,200	235,200	-	-	211,783	211,783	-	-
8. Non-current assets (5+6+7)	**235,200**	**235,200**	**-**	**-**	**211,783**	**211,783**	**-**	**-**
9. Total assets (4+8)	**243,547**	**243,537**	**10**	**-**	**292,896**	**292,878**	**18**	**-**
10. Trade payables	27	27	-	-	21	21	-	-
11. Financial liabilities	52,277	52,277	53	-	85,008	84,990	18	-
12a. Other (Monetary)	-	-	-	-	-	-	-	-
12b. Other (Non monetary)	820	820	-	-	1,093	1,093	-	-
13. Short-term liabilities(10+11+12)	**53,124**	**53,124**	**53**	**-**	**86,122**	**86,104**	**18**	**-**
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	51,887	51,887	-	-	79,229	79,229	-	-
16 a. Other (Monetary)	-	-	-	-	-	-	-	-
16 b. Other (Non monetary)	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	**51,887**	**51,887**	**-**	**-**	**79,229**	**79,229**	**-**	**-**
18. Total liabilities (13+17)	**105,011**	**105,011**	**53**	**-**	**165,351**	**165,333**	**18**	**-**
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)	**138,536**	**138,526**	**(43)**	**-**	**127,545**	**127,545**	**(6)**	**-**
21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(96,915)**	**(96,925)**	**(43)**	**-**	**(84,219)**	**(84,219)**	**(6)**	**-**

(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 2019 and 31 December 2018 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 2019	**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	(1,872)	1,872	16,423	(16,423)
2. Secured portion from USD risk (-)	-	-	-	-
Change of EUR by 10% against TL:				
3. Euro net asset/liability	(3)	3	-	-
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 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(-)	-	-	-	-

Other price risks:

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

34. Financial Instruments

Fair value of financial instruments

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

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

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

34. Financial Instruments (continued)

Fair value of financial instruments (continued)

Financial Assets

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

The carrying values of receivables from finance sector activities as at 31 December 2019 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 2019 and 31 December 2018 are shown in the table below:

	31 December 2019		**31 December 2018**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets and liabilities				
Cash and cash equivalents	5,063	5,063	77,624	77,624
Trade receivables	2,248	2,248	2,420	2,420
Other receivables	232	232	181	181
Receivables from finance sector activities	11	11	26	26
Payables from finance sector activities	41	41	57	57
Trade payables	165	165	141	141
Other payables	131	131	114	114
Bank borrowings	104,144	104,169	164,192	164,199

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 2019, there is no financial investment carried at fair value (31 December 2018: None).

35. Events after the reporting period

In accordance with paragraph 2 of Article 6 of the Capital Market Board Communiqué No II-18.1 of the Capital Markets Board, the validity period of the existing registered capital ceiling of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. expired in 2019. The Company's Articles of Association, titled "Registered Capital", has been amended to keep the registered capital ceiling of the Company, which is TL 250,000,000, until the end of 2024 (5 years), and the Company applied to the Capital Markets Board and the Turkish Ministry of Customs and Trade to obtain the necessary permissions

In accordance with the special case announcement regarding the sale of repurchase shares on 29 January 2020 the Company sold its C group share with a nominal value of TL 172 for a total price of TL 628.

35. Events after the reporting period (continue)

By the Board of Directors' decision dated 3 February 2020 of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş., the subsidiaries established in Malta as Cano Maritime Ltd and Hako Maritime Ltd, have agreed to settle parts of the receivables amounting USD 8,500,000 from Cano Maritime Ltd. and USD 3,200,000 from Hako Maritime Ltd to convert into a capital share in the capital increases to be made by these subsidiaries in these amounts fully paid up capital. And for this purpose, "Capital Contribution Agreements" are signed and other necessary works and transactions are carried to put these receivables as capital increases to be made by these subsidiaries.

In accordance with the special case announcement regarding the sale of repurchase shares on 5 February 2020 the Company sold its C group share with a nominal value of TL 271 for a total price of TL 967 .

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 5.9402 TL/USD prevailing on 31 December 2019. For the prior year'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. 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 2019

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

	Audited	**Audited**
	31 December 2019	**31 December 2018**
Assets		
Current assets	**1,656**	**15,606**
Cash and cash equivalents	852	14,755
Trade receivables	378	460
- Due from third parties	*378*	*460*
Receivables from finance sector activities	2	5
- Due from third parties	*2*	*5*
Other receivables (net)	39	34
- Due from related parties	*39*	*34*
- Due from third parties	-	-
Inventories (net)	112	98
Prepaid expenses	75	77
- Due from third parties	*75*	*77*
Current income tax assets	33	18
Other current assets	151	146
- Due from third parties	*151*	*146*
Subtotal	**1,642**	**15,593**
Assets held for sale	14	14
Non-current assets	**40,251**	**40,847**
Financial investments	245	183
Tangible assets	39,665	40,338
- Vehicles	*39,642*	*40,330*
- Furnite and fixtures	*23*	*8*
Right of use asset	156	-
Intangible asset	34	31
- Other intangible asset	*34*	*31*
Deferred tax assets	151	295
Total assets	**41,907**	**56,454**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of financial position (Balance sheet)

As at 31 December 2019

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

	Audited	**Audited**
	31 December 2019	**31 December 2018**
Liabilities		
Current liabilities	**9,276**	**16,450**
Short term financial borrowings	2,414	-
Due to third parties	2,414	-
- Bank loans	*2,414*	-
Short term portion of long term financial liabilities	6,458	16,150
Due to related parties	*52*	-
-Payables from lease transactions	*52*	-
Due to third parties	6,406	16,150
- Bank loans	*6,383*	*16,150*
-Payables from lease transactions	*23*	-
Trade payables	28	27
- Due to related parties	*3*	*3*
- Due to third parties	*25*	*24*
Payables from finance sector activities	7	11
- Due to third parties	*7*	*11*
Other payables	23	20
- Due to third parties	*23*	*20*
Deferred income	138	208
- Due to third parties	*138*	*208*
Current tax liability	170	-
Short term provisions	38	34
- Provisions for employee benefits	*38*	*34*
Non-current liabilities	**8,985**	**15,188**
Long-term financial liabilities	8,832	15,060
Due to related parties	65	-
- Bank loans	*65*	-
Due to third parties	8,767	15,060
- Bank loans	*8,735*	*15,060*
-Lease liabilities	*32*	
Long term provisions	153	128
- Provisions for employee benefits	*153*	*128*
Equity	**23,646**	**24,816**
Paid-in share capital	8,784	9,919
Adjustment to share capital	4,055	4,578
Repurchase of shares (-)	(543)	(613)
Premium on the shares/discount	(24)	(27)
Effect of merger under common control	(2,050)	(2,315)
Accumulated other comprehensive ıncome that will not be reclassified to profit or loss	(12)	(1)
- *Gains/losses from the revaluation and reclassification*	*(12)*	*(1)*
Accumulated other comprehensive ıncome that may be reclassified subsequently to profit or loss	16,588	15,741
- *Currency translation differences*	*16,588*	*15,741*
Restricted reserves	3,225	3,642
Prior years' profits/(losses)	(5,410)	(12,864)
Net profit / (loss) for the period	(967)	6,756
Total equity and liabilities	**41,907**	**56,454**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss
For the year ended 31 December 2019

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

	Audited 31 December 2019	Audited 31 December 2018
	Audited	**Audited**
Continuing operations		
Marine sector revenues	6,950	14,446
Marine sector expenses (-)	(5,956)	(11,070)
Gross profit/(loss) of marine sector activities	**994**	**3,376**
Gross profit/(loss) from trading activities	**994**	**3,376**
Finance sector operating income	**1**	**11**
Foreign exchange gain	-	-
Interest income	-	10
Finance sector other operating income	1	1
Cost of finance sector activities (-)	**(49)**	**(130)**
Finance sector provision expense	(49)	-
Other finance sector operating income/(expenses), net	**(48)**	(130)
Gross profit/ (loss) from finance sector activities	**1**	**(119)**
Gross profit/(loss)	**946**	**3,257**
General administrative expenses (-)	(909)	(936)
Other operating income	1,424	2,103
Other operating expenses (-)	(463)	(901)
Operating profit/ (loss)	**998**	**3,523**
Income from investment activities	83	12,325
Operating profit/(loss) before financial income (expenses)	**1,081**	**15,848**
Financial expenses (-)	(2,047)	(8,758)
Profit/ (loss) before tax from continued operations	**(966)**	**7,090**
Tax income/expenses of continued operations	**(1)**	**(334)**
- Taxation on income / (expenses)	113	211
- Deferred tax income / (expenses)	(114)	(545)
Profit/(loss) for the period	**(967)**	**6,756**
Earnings / (losses) per share	**(0.02)**	**0.14**

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of profit or loss
For the year ended 31 December 2019

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

	Audited **1 January-** **31 December** **2019**	**Audited** **1 January-** **31 December** **2018**
Profit / (loss) for the period	**(967)**	**6,756**
Other comprehensive income/(expenses)		
Other comprehensive income or expenses not to be reclassified to profit or loss	**(12)**	**(1)**
Gains/losses from revaluation of defined benefits	(12)	(1)
To be reclassified as profit or loss	**2,648**	**(652)**
Currency translation differences	2,648	(652)
Other comprehensive income / (expense) (net of tax)	**2,636**	**(651)**
Total comprehensive income / (expense)	**1,669**	**(7,407)**
Appropriation of total comprehensive income / (expense)	**1,669**	**(7,407)**
Non-controlling interest	**-**	**-**
Equity holders of the parent	**1,669**	**(7,407)**