

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

Consolidated Financial Statements
As at and For the Year Ended
31 December 2020

With Independent Auditors' Report Thereon

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

11 March 2021

*This report contains "Independent Auditors'
Report" comprising 4 pages and; "Consolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 54 pages and 5
pages of supplementary information.*

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

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INDEPENDENT AUDITORS' REPORT

To the 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 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

Basis for Opinion

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



Key Audit Matters

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

Impairment of tangible assets

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

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="316 645 676 678"><i>Impairment of tangible assets</i></p> <p data-bbox="316 696 863 790">As at 31 December 2020, ships which are presented in the tangible assets, comprise 93% of the Group's total assets.</p> <p data-bbox="316 808 863 1059">The Group measures its ships at cost less accumulated depreciation and accumulated impairment losses, if any, and evaluates each period whether there is an indication of impairment in the ships. The Company estimates the recoverable amount of assets considered to be impaired within the scope of "TAS 36 Impairment of Assets" Standard.</p> <p data-bbox="316 1077 863 1612">In order to determine whether the ships have suffered any impairment, impairment tests are performed by assessing each ship as a separate cash-generating unit, the recoverable amount, which is the higher of the fair value less cost to sell and the value in use determined by the discounted cash flow method, is compared with the carrying value. Management used significant estimates and assumptions in the impairment tests of ships. Impairment of tangible assets has been identified as key audit matter due to the importance of ships when the consolidated financial statements are considered as a whole and the valuation methods applied include significant management estimates and assumptions.</p>	<p data-bbox="930 674 1474 768">Our procedures for auditing significant estimates and assumptions used in testing the impairment of ships included below:</p> <ul data-bbox="930 786 1474 1568" style="list-style-type: none"><li data-bbox="930 786 1474 925">• We evaluated the appropriateness of valuation models and discount rate used in valuation model. with the involvement of specialists.<li data-bbox="930 943 1474 1003">• We evaluated income and expense expectations used in valuation models.<li data-bbox="930 1021 1474 1227">• 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.<li data-bbox="930 1245 1474 1384">• We evaluated the assumptions used in determining the useful lives of the ships and the market knowledge for the determination of residual value at the end of the useful life.<li data-bbox="930 1402 1474 1568">• We evaluated the sufficiency and appropriateness of disclosures in the notes to the consolidated financial statements regarding the depreciation and impairment calculation of tangible fixed assets.



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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 11 March 2021.
- 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 2020, 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 Anonim Şirketi



Orhan Akova, SMMM
Partner

11 March 2021
Istanbul, Turkey

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Consolidated statement of financial position (Balance sheet)****As at 31 December 2020***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

		Audited	Audited
	<i>Notes</i>	31 December	31 December
		2020	2019
Assets			
Current assets		18,547	9,829
Cash and cash equivalents	3	11,923	5,063
Trade receivables	7	4,209	2,248
- <i>Due from related parties</i>		250	-
- <i>Due from third parties</i>	7.1	3,959	2,248
Receivables from finance sector activities	8	14	11
- <i>Due from finance sector activities third parties</i>	8.1	14	11
Other receivables (net)	9	42	232
- <i>Due from related parties</i>	6	-	230
- <i>Due from third parties</i>	9.1	42	2
Inventories (net)	10	557	664
Prepaid expenses	11	681	444
- <i>Due from third parties</i>		681	444
Current income tax assets	12	-	195
Other current assets	22	1,045	896
- <i>Due from third parties</i>	22	1,045	896
Subtotal		18,471	9,753
Assets held for sale	13	76	76
Non-current assets		275,639	239,102
Investments in subsidiaries, business partnerships and subsidiaries	5	1,457	1,457
Tangible assets	14	272,564	235,620
- <i>Vehicles</i>		272,402	235,486
- <i>Furnitures and fixtures</i>		162	134
Right of use assets	15	482	926
Intangible Assets	16	95	203
- <i>Other intangible assets</i>	16	95	203
Deferred tax assets	31	1,041	896
Total assets		294,186	248,931

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 2020***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

		Audited	Audited
	<i>Notes</i>	31 December	31 December
		2020	2019
Liabilities			
Current liabilities		111,097	55,095
Short term borrowings	17	97,205	14,339
Due to related parties	17	95,652	14,339
- <i>Bank loans</i>	17.2	95,652	14,339
Short-term borrowings due to third parties		1,553	-
- <i>Bank loans</i>		1,553	-
Short-term portion of long term financial liabilities	17	9,897	38,365
Due to related parties	6	406	309
- <i>Lease liabilities</i>	6	406	309
Due to third parties.	17.2	9,491	38,056
- <i>Bank loans</i>	17.2	9,353	37,918
- <i>Lease liabilities</i>		138	138
Trade payables	7	137	165
- <i>Due to related parties</i>	6	17	17
- <i>Due to third parties</i>	7.2	120	148
Payables from finance sector activities	8	52	41
- <i>Due to third parties</i>	8.2	52	41
Other payables	9	208	131
- <i>Due to third parties</i>	9.2	208	131
Deferred income	20	1,542	820
- <i>Due to third parties</i>		1,542	820
<i>Current income tax liabilities</i>	31	1,843	1,009
Short-term provisions	21	213	225
- <i>Provisions for employee benefits</i>	21.1	213	225
Non-current liabilities		10,038	53,374
Long-term financial liabilities	17	9,305	52,465
Due to related parties		-	386
- <i>Lease liabilities</i>		-	386
Due to third parties	17.2	9,305	52,079
- <i>Bank loans</i>	17.2	9,249	51,887
- <i>Lease liabilities</i>		56	192
Long-term provisions	21	733	909
- <i>Provisions for employee benefits</i>	21.2	733	909
Equity		173,051	140,462
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)
Premium on the shares/discount	23.4	9,189	(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	(19)	(71)
- <i>Gains/losses from the revaluation and reclassification</i>		(19)	(71)
Accumulated other comprehensive income that may be reclassified subsequently to profit or loss	23.7	135,728	98,537
- <i>Currency translation differences</i>		135,728	98,537
Restricted reserves	23.8	19,505	19,158
Prior years' profits/(losses)	23.9	(38,302)	(32,139)
Net profit / (loss) for the period		(17,135)	(5,745)
Total equity and liabilities		294,186	248,931

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 2020

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

		Audited	Audited
		1 January –	1 January –
	<i>Notes</i>	31 December	31 December
		2020	2019
Continuing operations			
Marine sector revenues	24	44,571	41,285
Marine sector expenses (-)	24	(46,158)	(35,382)
Gross profit/(loss) of marine sector activities		(1,587)	5,903
Gross profit/(loss) from trading activities		(1,587)	5,903
Finance sector operating income		8	10
Foreign exchange gain	25	5	2
Interest income	25	1	-
Reversal of provision for finance operations	25	2	8
Cost of finance sector activities (-)		(912)	(292)
Other finance sector operating income/(expenses), net	25	(912)	(292)
Gross profit/(loss) from finance sector activities		(904)	(282)
Gross profit/(loss)		(2,491)	5,621
General administrative expenses (-)	26	(5,810)	(5,399)
Other operating income	27	4,215	8,456
Other operating expenses (-)	28	(1,278)	(2,753)
Operating profit/(loss)		(5,364)	5,925
Income from investment activities	29	-	495
Operating profit/(loss) before financial income (expenses)		(5,364)	6,420
Financial expenses (-)	30	(11,153)	(12,158)
Profit/ (loss) before tax from continued operations		(16,517)	(5,738)
Tax income/(expenses) of continued operations		(618)	(7)
- Taxation on income / (expenses)	31	(758)	669
- Deferred tax income / (expenses)	31	140	(676)
Profit/(loss) for the period		(17,135)	(5,745)
Earnings / (losses) per share	32	(0.336)	(0.118)

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 2020

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

	Audited	Audited
	1 January – 31 December 2020	1 January – 31 December 2019
<i>Notes</i>		
Profit / (loss) for the period	(17,135)	(5,745)
Other comprehensive income/(expenses)		
<i>Other comprehensive income or expenses not to be reclassified to profit or loss</i>	(19)	(71)
Gains/losses from revaluation of defined benefits	(19)	(71)
<i>To be reclassified as profit or loss</i>	37,191	15,727
Currency translation differences	37,191	15,727
23		
Other comprehensive income / (expense) (net of tax)	37,172	15,656
Total comprehensive income / (expense)	20,037	9,911
Appropriation of total comprehensive income / (expense)	20,037	9,911
Non-controlling interest	-	-
Equity holders of the parent	20,037	9,911

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 2020

(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	Gains/losses from the revaluation and reclassification	Foreign currency translation adjustment	Restricted reserves	Accumulated losses	Prior years' Net profit/loss profits/(losses) for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity	
Prior 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	
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	
Current period															
1 January 2020	23	52,181	24,085	(3,223)	(140)	(12,181)	(71)	98,537	19,158	(32,139)	(5,745)	140,462	-	140,462	
Transfers		-	-	-	-	-	-	-	347	(6,092)	5,745	-	-	-	
Transfers to prior years' profits/(losses)		-	-	-	-	-	-	-	347	(6,092)	5,745	-	-	-	
Total comprehensive income		-	-	-	-	-	52	37,191	-	(71)	(17,135)	20,037	-	20,037	
Net loss for the period		-	-	-	-	-	-	-	-	-	(17,135)	(17,135)	-	(17,135)	
Other comprehensive income		-	-	-	-	-	52	37,191	-	(71)	-	37,172	-	37,172	
The increase / decrease due to repurchase of shares		-	-	3,223	9,329	-	-	-	-	-	-	12,552	-	12,552	
Balance as at 31 December 2020	23	52,181	24,085	-	9,189	(12,181)	(19)	135,728	19,505	(38,302)	(17,135)	173,051	-	173,051	

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Consolidated statement of cash flows

For the year ended 31 December 2020

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

		Audited	Audited
		31 December	31 December
	Notes	2020	2019
Cash Flows (Indirect method)			
Cash flow from operating activities		15,945	32,024
Profit/(loss) for the period		(17,135)	(5,745)
Profit/(loss) from continuing operations		(17,135)	(5,745)
Adjustments related with the reconciliation of net profit/(loss) for the period:		(4,978)	23,127
Adjustments related to depreciation and amortization	14,15,16	19,463	15,167
Adjustments related to provisions		369	454
<i>Provisions for employee benefits</i>	21	371	462
<i>Other provisions</i>	25	(2)	(8)
Adjustments related to interest expenses and income		5,223	6,467
<i>Interest income</i>		(164)	(1,010)
<i>Interest expenses</i>		5,387	7,477
Adjustments related to unrealized foreign currency translation differences	14	(30,651)	1,032
Adjustments related to tax (income)/expenses		618	7
Realized changes in working capital		41,084	16,230
Changes in financial investments		-	(495)
Adjustments related to changes in trade receivables		(1,731)	172
<i>Changes in receivables from financial activities due to related parties</i>		(20)	-
<i>Changes in receivables from financial activities due to third parties</i>		(1,711)	172
<i>Changes in receivables from financial activities</i>		(3)	15
Adjustments related to changes in other receivables related to operations		(40)	(51)
<i>Changes in operations from other receivables due to related parties</i>		-	(51)
<i>Changes in operations from other receivables due to third parties</i>		(40)	-
Adjustments related to changes in inventories	10	107	(151)
Changes in prepaid expenses	11	(237)	(39)
Adjustments related to changes in trade payables		(28)	24
<i>Changes in trade payables due to related parties</i>		-	3
<i>Changes in trade payables due to third parties</i>		(28)	21
Change in finance sector payables		11	(16)
Adjustments related to the changes in other payables related to operations		77	17
<i>Changes in operations from other payables due to third parties</i>		77	17
Changes in deferred income		722	(273)
Adjustments related to other changes in working capital		42,206	17,027
<i>Changes in other assets related to operations</i>		39,108	12,528
<i>Changes in other liabilities related to operations</i>		3,098	4,499
Cash flows derived from operating activities		18,971	33,612
Interest received		177	1,082
Employee benefits paid		(542)	(179)
Tax paid		(2,661)	(2,491)
Cash flows from investing activities		(367)	(10,352)
Cash outflows arising from the purchase of tangible and intangible fixed assets		(367)	(10,352)
<i>Cash outflows from purchases of tangible fixed assets</i>	14	(365)	(10,219)
<i>Cash outflows from purchases of intangible fixed assets</i>		(2)	(133)
Cash flow from financing activities		(8,722)	(94,400)
Cash inflow on purchase of entity’s own shares and other equity based instruments		12,552	-
<i>Cash inflow on purchase of entity’s own shares</i>		12,552	-
Cash inflows from borrowings	17.2	118,106	13,849
<i>Cash inflows from bank loans</i>	17.2	118,106	13,849
Cash outflows from payment of financial borrowings		(133,777)	(99,249)
<i>Cash outflows repayments of bank loans</i>		(133,777)	(99,249)
Cash outflows on debt payments from lease contract		(598)	(532)
Interest paid		(5,005)	(8,468)
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		6,856	(72,728)
Effect of change in foreign exchange rates on cash and cash equivalents		1,481	69
Net increase/(decrease) in cash and cash equivalents		8,337	(72,659)
Cash and cash equivalents at 1 January		3,573	76,232
Cash and cash equivalents at 31 December	2.5(o)	11,910	3,573

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

(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 2020, 32 % of certain shares of the Company are listed on Borsa İstanbul (BİST) 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 2020 the Company has 7 employees (31 December 2019: 10).

As at 31 December 2020 and 31 December 2019 information about shareholders and their percentages are as follows:

	31 December 2020		31 December 2019	
	Amount	%	Amount	%
GSD Holding A.Ş. (“GSD Holding”)	35,483	68.00	40,679	77.96
Listed	16,697	32.00	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	

(*) The sale of all the repurchased shares has been realized, and the Company does not have any shares repurchased as of 31 December 2020.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

1. Organization and operations of the Company (continued)

As at 31 December 2020 and 31 December 2019, the distribution of the Company's shares on the basis of group is as follows:

	31 December 2020	31 December 2019
Group A	8,976	8,976
Group B	3,741	3,741
Group C	37,219	37,219
Group D	2,245	2,245
	52,181	52,181

Every shareholder has voting right in proportion to the shares. However, Group A, B and D shareholders are privileged in the selection of the Board of Directors, and Group A and B shareholders are privileged in electing auditors. There are no privileges given to shareholders in the process of profit distribution. GSD Holding holds the entire Group A, B and D shares and it holds Group C shares amounting to TL 20,521.

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 2020, 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 2020	31 December 2019
Cano Maritime Ltd.	Malta	Marine	100,00	100,00
Hako Maritime Ltd.	Malta	Marine	100,00	100,00

As a result of the capital increases realized on 3 February 2020, the capitals of Cano Maritime Ltd. and Hako Maritime Ltd., the Company's subsidiaries, have increased from USD 12,500,000 to USD 21,000,000 and from USD 9,800,000 to USD 13,000,000, respectively.

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. Consolidated financial statements are presented in accordance with the TFRS Taxonomy developed on the basis of the financial statement samples specified in the Financial Statement Examples and User Guide published by the POA in the Official Gazette dated 7 June 2019 and numbered 30794.

Approval of financial statements:

Consolidated financial statements were approved by the Company's Board of Directors on 11 March 2021. The Company's General Assembly has the right to change these consolidated financial statements and to request the relevant regulatory institutions to be changed.

2.1.2 Functional and Reporting Currency

The Company's statutory financial statements are prepared in Turkish Lira in accordance with the Turkish Commercial Code ("TCC"), tax legislation the Uniform Chart of Accounts published by the Ministry of Finance and in accordance with the financial reporting format published by the CMB. Subsidiaries residing abroad prepare their accounting records and financial statements in accordance with the principles and rules of the countries where they are established.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

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

The consolidated financial statements are based on the legal records of the Company and its subsidiaries and are expressed in Turkish Lira (“TL”), as mentioned above, in accordance with the TFRSs issued by the Public Oversight, Accounting and Auditing Standards Authority (KGK) of the Company and its subsidiaries. It has been prepared by subjecting some corrections and reclassifications in order to adequately present its status. In the preparation of these financial statements, the lower of the book value and the fair value less sales costs for fixed assets held for sale, and historical cost for other statement of financial position items. The functional currency of Cano Maritime Limited and Hako Maritime Limited companies within the scope of consolidation of the Group is US Dollars. The functional currency of the Company is TL.

2.1.3 Basis of consolidation

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

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

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

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

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

Each component of profit or loss and other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in 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.

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries as at 31 December 2020 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.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

2.1.4 Comparative information

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

2.1.5 Offsetting

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

2.1.6 Going concern

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

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and the financial statements of the previous period are rearranged. The Group applied its accounting policies consistently with the previous fiscal year.

2.3 Changes in 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 adopted as at 31 December 2020

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:

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. This amendments were issued by POA on 12 March 2020 as amendments to TAS 1.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2020

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- a. Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- b. Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- c. Clarifying how lending conditions affect classification; and
- d. Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, with the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 amendments until 1 January 2023.

The Group does not expect that application of these amendments to TAS 1 will have significant impact on its consolidated financial statements.

COVID-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued COVID-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

With this amendment, an exemption on COVID-19 has been added to TFRS 16 for tenants so that the lease concessions arising from COVID-19 are not considered as a change in leasing.

The prescribed facilitating exemption will only be applicable to lease privileges granted due to the COVID-19 outbreak and only if all of the following conditions are met:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2020 (continued)

Indicator Interest Rate Reform - 2nd Stage (Amendments in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16)

Changes by the IASB in August 2020, complementing those published in 2019 and focusing on the effects of the benchmark interest rate reform on the financial statements of businesses, for example, an interest rate measure used to calculate interest on a financial asset: replacing it with an alternative benchmark rate, It was published on December 18, 2020; .

Phase 2 changes, Indicator Interest Rate Reform - Phase 2 addresses issues that could affect financial reporting during an interest rate comparison reform, including the effects of changes in contractual cash flows or hedging relationships resulting from changing an interest rate metric. with an alternative benchmark (replacement problems). The IASB published the first changes in Phase 1 of the project in 2019, and then these changes were published by the POA.

The purpose of the Phase 2 changes is to assist companies in:

- applying TFRS Standards when changes in contractual cash flows or hedging relationships are made due to the benchmark interest rate reform; and
- provide useful information to users of financial statements.

In the second phase of its project, the IASB has amended the provisions in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases, and these amendments have been published by the POA.

- changes in the basis of determining the contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- descriptions.

Phase 2 changes apply only to changes required by the benchmark rate reform in financial instruments and hedging relationships.

The implementation of this change did not have a significant impact on the Group's consolidated financial statements.

Amendment regarding the References to the Conceptual Framework in TFRS 3

In May 2020, the IASB issued an amendment regarding references to the Conceptual Framework in IFRS 3. it has been replaced by references. Subsequently, the TFRS 3 amendment was published on 27 July 2020 by the POA to reflect these changes.

Although the Group has to apply these changes as of the reporting periods that start on or after 1 January 2022, early implementation is permitted.

Tangible Fixed Assets - Making it suitable for the purpose of use (Amendment to TMS 16)

In May 2020, the IASB published the "Tangible Fixed Assets - Conforming for the Purpose of Use" amendment to the IAS 16 Property, Plant and Equipment standard. With the amendment, it is no longer allowed to deduct the revenues from the sale of the products from the cost of the tangible fixed asset item in the process of making an asset fit for its intended use. Instead, the company will recognize such sales revenues and sales costs of the products sold, as well as profit or loss. Subsequently, the TAS 16 amendment was published on 27 July 2020 by the POA to reflect these changes.

The amendment clarifies the accounting requirements in this regard, increasing transparency and consistency - in particular, it does not allow the deduction of the proceeds from the sale of the manufactured products from the cost of the item of tangible fixed assets, while making the surplus asset fit for its intended use. Instead, a company will now reflect such sales revenue and associated costs in profit or loss.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2020 (continued)

Tangible Fixed Assets - Making it suitable for the purpose of use (Amendment to TMS 16) (continued)

Although the Group is required to implement these changes from the reporting periods that start on or after 1 January 2022, early implementation is permitted.

Economically disadvantaged contracts-Contract fulfillment costs (Amendment to TMS 37)

The IASB published the "Economically disadvantaged contracts - Contract fulfillment costs" amendment amending IAS 37 Provisions, Contingent Liabilities and Contingent Assets in May 2020. The IASB has published this amendment to IAS 37 to clarify that, in order to assess whether a contract is economically disadvantaged, the cost of fulfilling the contract includes both the mandatory additional costs that must be incurred and the costs associated with the allocation of other direct costs. Subsequently, the TAS 37 amendment was published on July 27, 2020 by the POA to reflect these changes.

The changes set out what costs an entity can include in determining the cost of fulfilling a contract in order to assess whether a contract has been fulfilled.

Although the Group is required to implement these changes from the reporting periods that start on or after January 1, 2022, early implementation is permitted.

Annual Improvements / 2018-2020 Cycle

Improvements in IFRS

For the current standards, "Annual Improvements in TFRS / 2018-2020 Period" published by POA on 27 July 2020 is presented below. These changes are effective as of 1 January 2022, and early application is permitted. The application of these changes in TFRS is not expected to have a significant impact on the consolidated financial statements of the Group.

TFRS 1 First Implementation of International Financial Reporting Standards

This amendment facilitates the application of TFRS 1 in case a subsidiary starts to apply TFRSs after the parent company; for example; In case a subsidiary starts to apply TFRSs later than the parent company, by taking advantage of the exemption in paragraph 1.D16 (a) of TFRS, the accumulated foreign currency translation differences for all foreign currency transactions, the amounts included in the consolidated financial statements of the parent company according to the transition date of the parent company to TFRS Standards. can choose to measure through. With this change, by applying this optional exemption for subsidiaries, it will facilitate the transition to TFRSs by i) reducing unnecessary costs and ii) eliminating the need to keep similar simultaneous accounting records.

TFRS 9 Financial Instruments

This amendment, in order to achieve the '10% test' for derecognition of financial liabilities - in determining the fees received on the net amount by deducting the fees paid for these transactions, the fees to be taken into account are only those that are to be considered as a debtor and lender, or mutually paid between them or It clarifies that it includes the fees charged.

TMS 41 Agricultural Activities

This amendment brings the fair value measurement provisions in TAS 41 into line with the transaction costs envisaged to be taken into account in the determination of fair value in TFRS 13 Fair Value Measurement by removing the provision that the payments made for taxes are not taken into account in determining the fair value. This change provides flexibility for the use of TFRS 13, where appropriate.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.4 New standards and interpretations not yet adopted as at 31 December 2020 (continued)

Changes that have been implemented and started to be implemented

The changes that took effect for the accounting periods starting on January 1, 2020 and after are as follows:

1-) Updated Conceptual Framework (2018 version)

2-) Changes in TFRS 3 Business Combinations - Business Definition

The application of the amendment in TFRS 3 did not have a significant impact on the Group's consolidated financial statements.

3-) Amendments in TAS 1 and TAS 8 - Material Description

The application of the amendment in TAS 1 and TAS 8 did not have a significant effect on the consolidated financial statements of the Group.

4-) Indicative Interest Rate Reform (Amendments in TFRS 9, TAS 39 and TFRS 7)

The implementation of this change did not have a significant impact on the Group's consolidated financial statements.

2.5 Summary of significant accounting policies

(a) Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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

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

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.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of Financial Assets (continued)

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.

Other financial liabilities

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

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

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi

Notes to the consolidated financial statements

As at 31 December 2020

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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) TFRS 16 Leases

TFRS 16 introduced a single lease accounting model for tenants. As a result, the Group, as a lessee, recognized the right-of-use asset representing the right to use the underlying asset and lease liabilities representing the lease payments for which it is obliged to pay rent. Accounting for the lessor is similar to previous accounting policies.

Lease Definition

While previously decided by the Group at the inception of a contract based on TFRS Interpretation 4 “Determining whether an Agreement includes a lease”, the Group now evaluates whether a contract includes a lease on the basis of the new lease definition. If the right to control the use of an asset defined in accordance with TFRS 16 is transferred for a certain period of time, the contract is a lease or includes a lease.

The group has allocated to each lease and non-lease component, based on its relative stand-alone price, at the reassessment or inception of a contract containing a lease component. However, for properties it rents in, the Group has chosen not to separate non-lease components and to account for non-lease and non-lease components as a single lease component.

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Notes to the consolidated financial statements

As at 31 December 2020

(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)

(b) TFRS 16 Leases (continued)

As tenant

The Group leases many assets including real estate and land vehicles. As the lessee, the Group has previously classified the lease as operating or financial lease based on an assessment of whether all the risks and benefits arising from ownership of the asset have been transferred. In accordance with TFRS 16, the Group has recognized right-of-use assets and lease payables for most of its leases, in other words, these leases are presented in the statement of financial position. The Group presented its lease obligations as "Borrowings" in the statement of financial position.

The Group recognizes the right-of-use asset and the lease liability in the financial statements at the commencement date of the lease. The right-of-use asset is measured at its initial cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for remeasurement of the lease liability. The right of use asset was initially measured at cost and after the actual commencement date of the lease, it is measured at its fair value in accordance with the Group's accounting policies.

At the actual beginning of the lease, the lease obligation is measured over the present value of the lease payments not paid at that date. Lease payments, if the interest rate implied in the lease can be determined easily, this rate is discounted using the alternative borrowing interest rate of the Group if it cannot be determined easily. Generally, the Group used alternative borrowing rate as the discount rate.

After the actual start of the lease, the lessee increases the book value of the lease obligation to reflect the interest on the lease liability and decreases the carrying amount to reflect the lease payments made. It is remeasured in the event of a change in the lease term and in the assessment made regarding the asset purchase option, and if there is a change in the amounts expected to be paid within the scope of the residual value commitment and there is a change in these payments as a result of a change in the index or rate.

The group used its judgment to determine the lease term for some lease contracts that include renewal options. Evaluating whether the Group is reasonably confident to implement such options affects the lease term; hence, this matter significantly affects the amounts of the lease payables and right-of-use assets recognized.

As a landlord

The accounting policies applied by the Group as the lessor are not different from those applied in accordance with TAS 17.

The Group does not need to make any adjustments to TFRS 16 for lease agreements other than lease contracts.

(c) 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.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(c) 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.

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.

(d) 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.

(e) Share capital increases

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

(f) Provision for employee severance payments

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

Costs of employees’ services in the current or prior periods are calculated by annual liability method in the framework of defined benefit plans. Even though the Employee Benefits (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.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(f) 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 2020	31 December 2019
Net discount rate	13.20%	11.56%
Expected rate of salary / limit increase	9.00%	7.00%
Turnover rate to estimate the probability of retirement	100.00%	100.00%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. As the maximum liability is revised semi-annually, amount of full TL 7,117.17 (31 December 2019: full TL 6,379.86) which is effective as at 31 December 2020 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

g) Provisions, contingent assets and liabilities

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

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

(h) Revenue recognition

General model for accounting of revenue

In accordance with TFRS 15, a five-step model is followed in recognizing revenue for all contracts 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. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). 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 performance obligations as a performance 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.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(h) Revenue recognition (continued)

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.

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 financing 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.

Revenues are recognised on an accrual basis at the time the services are given and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable.

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.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(h) 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.

(i) Taxes on income

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

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

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

(j) Related Parties

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

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

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

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(j) 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.

(k) 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.

(l) Borrowing costs

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

(m) 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

A reportable business segment is the segment where the Group is engaged in business activities where it can generate revenue and spend it, the operating results are regularly reviewed by the Management in order to make decisions regarding the resources to be allocated to the department and to evaluate the performance of the department, and there is separate financial information about it. Due to the fact that the Group does not have any significant activity other than shipping activities, there is no reporting according to the departments.

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2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

(o) Statement of Cash Flows

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

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

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

As at 31 December 2020 and 2019, 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 2020	31 December 2019
Cash	-	2
Banks	11,910	3,751
	11,910	3,573

(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.

Currency translation differences are recognized in other comprehensive income and shown in the foreign currency translation reserve under equity. In the event that control, significant influence or joint control is lost as a result of the sale of a foreign operation, the accumulated amount in the foreign currency translation differences reserve related to that foreign operation is reclassified to profit or loss as part of profit or loss on the sale..

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Notes to the consolidated financial statements

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

2. Basis of presentation of financial statements (continued)

2.5 Summary of significant accounting policies (continued)

Financial statements of foreign subsidiaries (continued)

Exchange rates as at 31 December 2020 and 31 December 2019 that were used by the Company are as follows;

	31 December 2020	31 December 2019
USD	7.3405	5.9402
EURO	9.0079	6.6506

(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 2020 and 31 December 2019, cash and cash equivalents are as follows;

	31 December 2020	31 December 2019
Cash at banks	11,923	5,061
<i>Demand deposit</i>	2,381	2,982
<i>Time deposit</i>	9,542	2,079
Cash on hands	-	2
Total cash and cash equivalents included in the balance sheet	11,923	5,063
Accrued interest income on cash and cash equivalents	(13)	(4)
Blocked deposits	-	(1,486)
Total cash and cash equivalents included in the cash flow	11,910	3,573

As at 31 December 2020, the time deposits comprised bank placements in USD. As at 31 December 2020 interest rate is 3.15% for USD denominated bank accounts (31 December 2019: %2.35 for USD).

4. Financial assets-fair value through profit or loss

As at 31 December 2020 and 31 December 2019, 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 2020 and 31 December 2019, investments in subsidiaries, business partnerships and subsidiaries consist of unlisted equity investments. As at 31 December 2020 and 31 December 2019, the details of investments in subsidiaries, business partnerships and subsidiaries are as follows:

	31 December 2020		31 December 2019	
	% of shares	Carrying value	% of shares	Carrying value
<i>Not Listed</i>				
GSD Faktoring A.Ş.	1.98	1,457	1.98	1,457
		1,457		1,457

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6. Related party disclosures

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is ultimately controlled by GSD Holding that owns the 68% (31 December 2019: 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 2020	31 December 2019
Deposit at banks	20	2
<i>GSD Yatırım Bankası A.Ş.</i>	20	2
Lease liabilities	406	695
<i>M. Turgut Yılmaz</i>	406	695

b) Other balances and transactions with related parties

As at 31 December 2020 and 31 December 2019, other receivables due to related parties are as follows;

	31 December 2020	31 December 2019
Mila Maritime Limited	67	48
Dodo Maritime Limited	64	46
Neco Maritime Limited	53	89
Zeyno Maritime Limited	66	47
Total	250	230

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 2020 and 31 December 2019, trade payables due to related parties are as follows;

	31 December 2020	31 December 2019
GSD Holding A.Ş.	17	17
Total	17	17

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

Transactions with related parties as at 31 December 2020 and 31 December 2019 are as follows;

Group companies of the parent	31 December 2020	31 December 2019
Mila Maritime Ltd.- Commercial management commission	659	629
Zeyno Maritime Ltd.- Commercial management commission	714	541
Neco Maritime Ltd.- Commercial management commission	522	474
Dodo Maritime Ltd.- Commercial management commission	615	487
GSD Faktoring A.Ş.- Dividends	-	495
GSD Yatırım Bankası A.Ş. - Interest income	(453)	(265)
Zeyno Maritime Ltd – Interest income	(198)	(171)
GSD Yatırım Bankası A.Ş. - Share payments	(423)	(400)
GSD Holding - Share payments	(1,798)	(82)

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret Anonim Şirketi**Notes to the consolidated financial statements****As at 31 December 2020***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***6. Related party disclosures (continued)****(c) Derivative financial transactions**

As at 31 December 2020, the Group does not have any derivative transactions with related parties (31 December 2019: None).

(d) Key management benefits

Total benefit of key management for the period ended 31 December 2020 is TL 1,530 (31 December 2019: TL 1,381).

(e) Other related party transactions

As at 31 December 2020, GSD Holding has provided surety amounting to TL 315,188 to credit institutions as a guarantee against its open lines of credit (31 December 2019: TL 408,449).

f) Loans from related parties

	31 December 2020	31 December 2019
Short-term borrowings from related parties	95,652	14,339
Dönem sonu karşılık tutarı	95,652	14,339

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

As at 31 December 2020 and 31 December 2019, details of trade receivables are as follows;

	31 December 2020	31 December 2019
Trade receivables from marine activities	4,209	2,248
Doubtful trade receivables	1,980	1,980
Provision for doubtful trade receivables	(1,980)	(1,980)
	4,209	2,248

As at 31 December 2020 and 31 December 2019, movements in the provision for doubtful trade receivables:

	31 December 2020	31 December 2019
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 2020 and 31 December 2019, details of trade payables are as follows;

	31 December 2019	31 December 2019
Trade payables from VAT refund receivables	78	121
Trade payables from marine activities	42	27
Other trade payables (*)	17	17
	137	165

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

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

As at 31 December 2020 and 31 December 2019, details of short-term receivables from finance sector operations are as follows;

	31 December 2020	31 December 2019
Finance lease receivables (net)	14	11
Doubtful receivables	5,025	4,113
Provision for doubtful receivables	(5,025)	(4,113)
	14	11

The Group does not have long-term receivables from finance sector operations as at 31 December 2020 (31 December 2019: 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 2020 and 31 December 2019, details of finance lease receivables are as follows;

	31 December 2020	31 December 2019
Short-term finance lease receivables		
Finance lease receivables, not due	21	16
Unearned interest income (-)	(7)	(5)
Short-term finance lease receivables, net	14	11
Total finance lease receivables, net	14	11

8.1.2 Doubtful receivables

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

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

	31 December 2020	31 December 2019
Balance at January 1	4,113	3,822
Current period provisions (Note 25)	912	292
Current period collections (-)	-	(1)
Provision net of recoveries	912	291
Balance at 31 December	5,025	4,113

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 2020 and 31 December 2019, details of payables from finance sector operations are as follows;

	31 December 2020	31 December 2019
Advances received	52	41
	52	41

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As at 31 December 2020 and 31 December 2019, details of other receivables are as follows;

	31 December 2020	31 December 2019
Other receivables due to related parties	-	230
Other receivables	42	2
	42	232

9. Other receivables and payables (continued)**9.2 Other payables**

As at 31 December 2020 and 31 December 2019, details of other payables are as follows;

	31 December 2020	31 December 2019
Other tax payables	170	88
Social security premium payables	38	41
Other	-	2
	208	131

10. Inventories

As at 31 December 2020 and 31 December 2019, details of inventories are as follows;

	31 December 2020	31 December 2019
Ship oil	557	664
	557	664

11. Prepaid expenses

As at 31 December 2020 and 31 December 2019, details of prepaid expenses that are classified in current assets are as follows;

	31 December 2020	31 December 2019
Insurance expenses	653	406
Ship annual tonnage tax expenses	19	21
Prepaid miscellaneous expenses	2	12
Ship annual registration fee expenses	7	5
Prepaid loan commission expenses	-	-
	681	444

As at 31 December 2020 and 31 December 2019, there are no prepaid expenses classified in non-current assets.

12. Current income tax assets

As at 31 December 2020, the current income tax assets amounting to TL 25 consist of tax deductions from interest income derived from bank deposits which are not yet deducted (31 December 2019: TL 195).

13. Assets held for sale

As at 31 December 2020, 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 2019: TL 76).

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Movement of tangible assets for the period ended 31 December 2020 are as follows;

	1 January 2020	Additions	Disposals	Currency translation differences	31 December 2020
Cost					
Ships	307,684	-	-	72,695	380,379
Drydock	12,248	294	-	2,763	15,305
Machinery and equipment	26	-	-	-	26
Vehicles	509	5	-	-	514
Furnitures and fixtures	1,568	66	-	-	1,634
	322,035	365	-	75,458	397,858
	1 January 2020	Current year charge	Disposals	Currency translation differences	31 December 2020
Accumulated depreciation					
Ships	82,386	15,701	-	19,423	117,510
Drydock	2,346	3,061	-	553	5,960
Machinery and equipment	26	-	-	-	26
Vehicles	223	102	-	-	325
Furnitures and fixtures	1,434	39	-	-	1,473
	86,415	18,903	-	19,976	125,294
Net book value	235,620				272,564

Movement of tangible assets for the year 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

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14. Tangible Assets (continued)

As at 31 December 2019, the ships were pledged to banks in return for the borrowings used for financing the ships (Note 18). As at 31 December 2020, all loans to DVB Bank SE have been repaid and mortgages on ships have been lifted.

GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has taken the higher value of use determined through fair value whose sales expenses are deducted as amount recoverable and discounted cash flow methods in the impairment calculation made taking each of the dry cargo ships, owned by its two maritime affiliates located in Malta, into account as cash generating units as basis as at 31 December 2020 in accordance with TAS 36 and has not booked a provision for impairment as at 31 December 2020 since the value of use are higher than carrying amounts for each of the five ships. Discounted cash flow calculations, used to determine amount recoverable, have been started based on final budgeting of technical management company made for leasing contracts which are considered to be concluded in near future in the framework of current market conditions through examining current ship leasing agreements and realisations in previous periods for income. Cash flows which can occur in depreciation period have been tried to be anticipated using expectations and assumptions generated by Group management on direction, level and timing of market based on recent condition of freight market and impacts related to its development and it is deducted to reporting date with a discount rate appropriate to structure of the Group and market. Amounts deducted from cost while determining amount subject to depreciation have been used as cash inflow in value of use calculation. Selection of periods in which fixed or variable based leasing are applied or locations of ships on the expiration of leasing period are main factors which can cause different realizations from those which have been anticipated under assumptions in calculations. On the other hand, the realization of assumptions are bounded to variable factors directing global dry cargo ship transportation market. The Group management believes that any changes reasonably occurring in any of aforementioned main assumptions shall not cause total carrying amounts of aforementioned cash generation units being higher than the total recoverable amounts.

The COVID-19 outbreak has had a number of impacts on the global maritime industry and our operations, where GSD Marin and GSD Shipping B.V are located. In early 2020, the time charter rates for the first quarter were affected due to the rapid spread of the coronavirus and the reduced demand for goods from China. The negative effects of the epidemic on the global maritime industry and operations started to decrease from the second quarter, and the developments in the bulk cargo segment, in which we operate with six ships as a group, have become promising. While the Baltic bulk index (BDI) was around 400 in May 2020, it rose to 1,366 as of 31 December 2020 and to 1,675 as of the end of February 2021, with the contribution of the upward movement in commodity prices, and a serious recovery in the maritime sector has entered. Difficulties experienced during crew changes due to travel restrictions around the world have been regulated since the second half of the year as the restrictions became flexible, and important operations such as spare parts supply and ship visits by service engineers continued uninterrupted.

While preparing the consolidated financial statements dated 31 December 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the consolidated financial statements were reviewed. In this context, possible impairment losses that may occur in the consolidated financial statements as of 31 December 2020 have been reevaluated.

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As at 31 December 2020 and 31 December 2019, details of right of use assets are as follows;

	1 January 2020 (*)	Additions	Disposals	Currency translation differences	31 December 2020
Cost					
Buildings	924	6	-	-	930
Vehicles	399	-	-	-	399
		-			
	1,323	6	-	-	1,329

	1 January 2020	Current year charge	Disposals	Currency translation differences	31 December 2020
Accumulated depreciation					
Buildings	290	318	-	-	608
Vehicles	107	132	-	-	239
	397	450	-	-	847
Net book value	926				482

	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

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As at 31 December 2020 and 31 December 2019, details of intangible assets of the Group are as follows:

	31 December 2020	31 December 2019
Net book value at the beginning of the period	203	165
Addition to software rights	2	133
Current period depreciation	(110)	(95)
Net book value	95	203

17. Financial liabilities**17.1 Borrowing costs**

In the consolidated financial statements of the Group dated 31 December 2020, there is no capitalized borrowing cost (31 December 2019: None).

17.2 Bank borrowings

As at 31 December 2020 and 31 December 2019 borrowings consist of bank loans and payables from lease transactions. Details of bank loans and payables from lease transactions are as follows:

	Currency	31 December 2020			31 December 2019		
		Original amount	Carrying amount	Interest rate %	Original amount	Carrying amount	Interest rate %
Fixed interest	USD	13,242	97,205	2.50%-4.65%	2,414	14,339	4.25%
Short-term borrowings		13,242	97,205		2,414	14,339	
Fixed interest	USD	1,274	9,353	3.07%	-	-	-
Floating interest	USD	-	-	-	6,383	37,918	Libor 3M + 2.80%, Libor 3M + 3.15%
Short-term portion of long-term bank borrowings		1,274	9,353		6,383	37,918	
Fixed interest	USD	1,260	9,249	3.07%	-	-	-
Floating interest	USD	-	-	-	8,735	51,887	Libor 3M + 3.15%
Long-term portion of long-term bank borrowings		1,260	9,249		8,735	51,887	
Total long-term borrowings			18,602			89,805	
Total			115,807			104,144	

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 2020		31 December 2019	
	Fixed interest	Floating interest	Fixed interest	Floating interest
Up to 1 year	106,558	-	14,339	37,918
Up to 2 years	9,249	-	-	51,887
Up to 3 years	-	-	-	-
	115,807	-	14,339	89,805

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18. Commitments

18.1 Guarantees given

The Guarantees, Pledges and Mortgages (“GPMs”) that the Company gave as at 31 December 2020 and 31 December 2019 are as follows:

GPMs given by the Company	31 December 2020			31 December 2019		
	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	133	133	-	35,911	133	35,778
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	-	133	133	-
3. Cash	-	-	-	1,486	-	1,486
4. Tangible asset mortgage given as cash collateral surety ^(*)	-	-	-	-	-	-
5. Participation share given as cash collateral surety ^(*)	-	-	-	34,292	-	34,292
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
1. Bails given as cash collateral surety ^(*)	-	-	-	89,805	-	89,805
2. Tangible asset mortgage given as cash collateral surety ^(*)	-	-	-	72,659	-	72,659
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	40,415	-	40,415	32,705	-	32,705
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 ^(**)	40,415	-	40,415	32,705	-	32,705
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	40,548	133	40,415	231,080	133	230,947

^(*) The bank credits used during the purchase of bulk dry cargo ships M / V Cano and M / V Hako, owned by Cano Maritime Limited and Hako Maritime Limited, were fully paid and closed in 2020. Mortgages on the ships have been removed. Since Hako Maritime Limited Company has no credit risk subject to mortgage, the blocked amount in DVB Bank SE has been resolved.

^(**) 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 2020 and 31 December 2019, 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 2020	31 December 2019
Banks	40,548	231,080
	40,548	231,080

As at 31 December 2020 and 31 December 2019, 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 2020, the rate of the other GPMs the Company have given to the Company’s shareholders’ equity is 23% (31 December 2019: 23%).

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

As at 31 December 2020 and 31 December 2019, the details of the guarantees that were obtained in return for the Company’s receivables from finance sector activities are as follows:

	31 December 2020	31 December 2019
Mortgages	3,721	3,721
	3,721	3,721

18.3 Other

As at 31 December 2020, GSD Holding has provided surety amounting to TL 315,188 to credit institutions as a guarantee against its open lines of credit (31 December 2019: TL 408,449).

19. Employee benefit obligations

The Company does not have any employee benefit obligations as at 31 December 2020 (31 December 2019: None).

20. Deferred income

As at 31 December 2020, the amount of deferred income amounting to TL 1,542 stems from early collection of monthly rents of ships (31 December 2019: TL 820).

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

As at 31 December 2020 and 31 December 2019, details of provision for short-term employee benefits are as follows:

	31 December 2020	31 December 2019
Employee bonus provision	213	225
	213	225

As at 31 December 2020 and 31 December 2019, the movement of employee bonus provision is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	225	179
Paid provision for the current period	(194)	(179)
Provision for the current period	182	225
Balance at the end of the period	213	225

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

As at 31 December 2020 and 31 December 2019, details of provision for long-term employee benefits are as follows;

	31 December 2020	31 December 2019
Provision for employee benefits	733	909
<i>Employee termination benefit provision</i>	275	414
<i>Unused vacation provision</i>	458	495
	733	909

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 7,117.17 as at 31 December 2020 (31 December 2019: full TL 6,379.86). 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 2020 and 31 December 2019, movement of provision for employee termination benefits is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	414	272
Actuarial gain/loss	24	89
Interest cost	8	17
Provision for the current period	83	36
Provision payment for the current period	(254)	-
Balance at the end of the period	275	414

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 2020 and 31 December 2019 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 2020 and 31 December 2019, movement of provision for unused vacations is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	495	400
Paid provision for the current period	(37)	-
Provision for the current period	-	95
Balance at the end of the period	458	495

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22. Other current and non-current assets

As at 31 December 2020 and 31 December 2019, details of other current assets are as follows:

	31 December 2020	31 December 2019
Deferred VAT	1,045	896
	1,045	896

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

23. Equity

23.1 Paid-in share capital

As at 31 December 2020, the Company’s nominal value of authorized share capital amounts to TL 52,181 (31 December 2019: 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 2020 and 31 December 2019, the shareholding structure of the Company is disclosed in Note 1.

23.2 Adjustment to share capital

As at 31 December 2020, the Company’s inflation-adjustment differences amount to TL 24,085 (31 December 2019: 24,085).

23.3 Repurchase of shares (-)

In accordance with the CMB's press releases on the repurchased shares dated 21 July 2016 and 25 July 2016, according to the board of directors decision of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. has repurchased its share for a total consideration of TL 3,223 (31 December 2019: TL 3,223). The Company did not purchase new shares in 2020. In 2020, the Company sold all repurchased Group C shares having a nominal value of 3,411 TL, at an amount of TL 12.552.

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 of 31 December 2020, the Company's share premiums are TL 1, the sales losses of its repurchased shares are TL 141, and the sales profits of its repurchased shares are 9,329 TL, totaling TL 9,189 (31 December 2019: share premiums are TL 1 and sales losses of repurchased shares are 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 of these two companies within the body of GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. is a merger covering jointly controlled entities and therefore is not subject to “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.”

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23. Equity (continued)

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

As at 31 December 2020, the Company has merger effects covering jointly controlled initiatives or entities amounting to TL (12,181) (31 December 2019: 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 19 as at 31 December 2020 (31 December 2019: TL 71).

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 2020, foreign currency translation differences of the Company amount to TL 135,728 (31 December 2019: TL 98,537).

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 2020 and 31 December 2019, restricted reserves movement is as follows:

	31 December 2020	31 December 2019
Primary legal reserves	7,222	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	19,505	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 2020 and 31 December 2019, movements of prior years' profits/(losses) are as follows:

	31 December 2020	31 December 2019
Balance at 1 January	(32,139)	(67,675)
Profits/(losses) for the prior period	(15,421)	35,543
Repurchase of shares (provision)/classification	9,329	-
Gains/losses from defined benefits plan	(71)	(7)
Balance at end of period	(38,302)	(32,139)

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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.

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By the General Assembly Meeting of the year 2019 dated 14 May 2020, it has been decided to offset the net profit of TL 15,421 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 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Ship lease income	40,879	38,846
Revenues from intra-group service activities	2,510	2,163
Other income	1,182	276
Marine sector income	44,571	41,285
Ship depreciation expense	(18,762)	(14,553)
Personnel expenses	(13,404)	(11,283)
Various ship equipment, oil and fuel expenses	(6,928)	(5,455)
Ship insurance expenses	(1,989)	(1,536)
Technical management fees	(1,631)	(1,378)
Maintenance and repair expenses	(1,245)	(28)
Rent expense paid back	(1,248)	(313)
Expenses from intra-group service activities	(859)	(738)
Other expenses	(92)	(98)
Marine sector expenses	(46,158)	(35,382)
Gross profit/(loss) from marine sector activities	(1,587)	5,903

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 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Finance lease interest income	1	-
Finance lease receivables default income	2	8
Finance lease receivables foreign exchange gains	5	2
Total interest and other income	8	10
Provision for finance operations	(912)	(292)
Total finance sector activities income/(expenses), net	(904)	(292)
Gross profit/(loss) from finance sector activities	(904)	(282)

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26. General administrative expenses

The details of general administrative expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Personnel expenses	3,842	3,790
Depreciation expenses	701	614
Purchases of services from related parties expenses	294	287
Vehicle and travel expenses	258	259
Audit expenses	225	205
Donation, support, social responsibility expenses	50	50
Quotation expenses	8	8
Tax, duty and charge expenses	17	7
Other	415	179
Total	5,810	5,399

The details personnel expenses that are included in general administrative expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Wages and salaries	3,065	3,012
Social security premium expenses – employer’s share	206	284
Employee termination benefit, unused vacation and bonus provision expenses	83	177
Employee termination benefit and bonus paid	488	317
Total	3,842	3,790

27. Other operating income

The details of other operating income for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign currency exchange income from operations	3,688	7,197
Interest received from banks	164	1,010
Employee termination benefit cancellation income	303	-
Other	60	249
Total	4,215	8,456

28. Other operating expenses

The details of other operating expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign currency exchange losses from operations	1,278	2,753
Total	1,278	2,753

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29. Income/expenses from investment activities

The details of income from investment activities for the periods ended 31 December 2020 and 31 December 2019 are as follows;

	1 January- 31 December 2020	1 January- 31 December 2019
Dividend income	-	495
Total	-	495

For the period ended 31 December 2020 and 31 December 2019, there are no operating expenses from investment activities.

The Group does not have any expenses related to the investment activities for the periods ended 31 December 2020 and 31 December 2019

30. Financial income and expenses

The Group does not have any financial income for the periods ended 31 December 2020 and 31 December 2019.

The details of financial expenses for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January - 31 December 2019
Foreign currency exchange losses from borrowings	5,766	4,681
Interest expense	5,234	7,402
Other financial expenses	153	75
Total	11,153	12,158

31. Tax Assets and Liabilities

Corporation Tax

As at 31 December 2020, corporation tax rate is 22% (31 December 2019: 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 2020, 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.

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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 2020 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.

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31. Tax Assets and Liabilities (continued)

Investment Incentives (continued)

As at 31 December 2020, 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 2020, the Group will be able to use the unused investment discount that amounts to TL 175,343 (31 December 2018: TL 160,707) by deducting from the future income.

Transfer Pricing

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

If the taxpayer purchases goods or services from/to its related parties at a value or price that is considered to be non arm’s length, then such income is regarded fully or partially distributed in a hidden way via transfer pricing. Hidden income distribution via this kind of transfer pricing is considered non-deductible 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 2020 and 31 December 2019 consist of the following:

Current period income tax	1 January- 31 December 2020	1 January- 31 December 2019
Current period corporation tax income/(expenses) (*)	(758)	669
Deferred tax income/(expenses)	140	(676)
Total tax income/(expenses)	(618)	(7)

(*) 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.

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For the periods ended 31 December 2020 and 31 December 2019, 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 2020	1 January- 31 December 2019
Profit/(loss) before the reported tax	(16,517)	(5,738)
Tax calculated based on the reported profit/loss	3,633	1,262
Amount of disallowable expenses	(467)	(471)
Amount of tax exempt income	285	292
Subsidiary tax effect (*)	(2,233)	(1,312)
Effect of cash dividend income	-	109
Other	(1,836)	113
Tax income/(expense)	(618)	(7)

(*) 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.

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

As at 31 December 2020 and 31 December 2019, the list of temporary differences and related deferred tax assets and liabilities by using current tax rates are as follows:

	31 December 2020	31 December 2019
Provision for doubtful receivables	826	643
Employee termination benefits and other employee rights	189	232
Other	26	21
Deferred tax assets	1,041	896
Deferred tax assets, net	1,041	896

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 2020, 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.

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31. Tax assets and liabilities (continued)

As at 31 December 2020 and 31 December 2019, movement of deferred tax assets is as follows;

	31 December 2020	31 December 2019
Opening balance	896	1,554
Deferred tax income/(expense) that is recognized in profit or loss	140	(676)
Deferred tax that is recognized in shareholders’ equity	5	18
Balance at the end of period	1,041	896

32. Earnings/(losses) per share

Earnings/(losses) per share calculation for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Net profit /(loss) for the period	(17,135)	(5,745)
Weighted average number of ordinary shares ^(*)	50,958	48,770
Basic earnings/(losses) expressed in 1 TL per share	(0.336)	(0.118)

^(*) By the Board of Directors Meeting dated 26 July 2016, the Company has decided to repurchase its shares according to the announcements of CMB on 21 July 2016 and 25 July 2016 in order to protect investors. The Company has repurchased TL 3,411 nominal value of C group shares amounting to TL 3,223. The Company did not purchase new shares in 2020. In 2020, the Company sold all repurchased Group C shares having a nominal value of 3,411 TL, at an amount of TL 12.552. as at the report date (31 December 2019: 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.

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

33.1 Financial risk management purposes and policies (continued)

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.

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

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

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

33.2.1 Credit risk

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

	31 December 2020		31 December 2019	
		%		%
Textile	14	100	11	100
Total	14	100	11	100

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As at 31 December 2020 and 31 December 2019, the assets of the Company which are qualified as credits exposed to credit risk are as in the following table:

31 December 2020	Receivables originating from finance sector activities		Trade and other receivables		
	Related parties	Third parties	Related parties	Third parties	Bank deposits
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	-	14	250	4,001	11,923
A. Net book value of the financial assets which are undue and have not been impaired	-	-	250	4,001	11,923
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	-	14	-	-	-
- portion guaranteed by securities etc.	-	14	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Due (gross registered value)	-	5,025	-	1,980	-
- Impairment (-)	-	(5,025)	-	(1,980)	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
- Undue (gross registered value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value guaranteed by securities etc.	-	-	-	-	-
E. Elements comprising off-balance sheet loan risk	-	-	-	-	-

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

33.2 Disclosures related to financial risk management (continued)

33.2.1 Credit risk (continued)

31 December 2019	Receivables originating from finance sector activities		Trade and other receivables		
	Related parties	Third parties	Related parties	Third parties	Bank deposits
Maximum loan risks to be endured as at the end of the reporting period (A+B+C+D+E)	-	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 booked 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	-	-	-	-	-

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

33.2 Disclosures related to financial risk management (continued)

33.2.2 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 2020

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	116,204	(117,076)	(96,420)	(11,187)	(9,469)	-
Bank loans	115,807	(116,679)	(96,023)	(11,187)	(9,469)	-
Payables from finance sector activities	52	(52)	(52)	-	-	-
Trade payables	137	(137)	(137)	-	-	-
Other payables	208	(208)	(208)	-	-	-

31 December 2019

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	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)	-	-	-

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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 2020	31 December 2019
Finance lease receivables	14	11
Time deposits	9,542	2,079
Bank loans	115,807	14,339
Financial instruments with floating interest		
Bank loans	-	89,805

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 has not been calculated on 31 December 2020 (31 December 2019: TL 48).

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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 Lira. 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 2020 and 31 December 2019. Foreign currency assets and liabilities of the Group are as follows in foreign currency:

	Foreign currency position chart							
	31 December 2020				31 December 2019			
	Total TL Equivalent	USD (in Turkish Liras)	Euro (in Turkish Liras)	Other (in Turkish Liras)	Total TL Equivalent	USD (in Turkish Liras)	Euro (in Turkish Liras)	Other (in Turkish Liras)
1. Trade Receivables	3,959	3,959	-	-	2,248	2,248	-	-
2a. Monetary financial assets (including cash and bank accounts)	11,891	11,801	90	-	5,028	5,018	10	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-
3. Other	1,226	1,226	-	-	1,071	1,071	-	-
4. Current assets (1+2+3)	17,076	16,986	90	-	8,347	8,337	10	-
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-
7. Other	272,213	272,213	-	-	235,200	235,200	-	-
8. Non-current assets (5+6+7)	272,213	272,213	-	-	235,200	235,200	-	-
9. Total assets (4+8)	289,289	289,199	90	-	243,547	243,537	10	-
10. Trade payables	-	-	-	-	27	27	-	-
11. Financial liabilities	106,616	105,031	1,585	-	52,277	52,277	53	-
12a. Other (Monetary)	-	-	-	-	-	-	-	-
12b. Other (Non monetary)	1,542	1,542	-	-	820	820	-	-
13. Short-term liabilities(10+11+12)	108,158	106,573	1,585	-	53,124	53,124	53	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	9,249	9,249	-	-	51,887	51,887	-	-
16 a. Other (Monetary)	-	-	-	-	-	-	-	-
16 b. Other (Non monetary)	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	9,249	9,249	-	-	51,887	51,887	-	-
18. Total liabilities (13+17)	117,407	115,822	1,585	-	105,011	105,011	53	-
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)	171,882	173,377	(1,495)	-	138,536	138,526	(43)	-
21. Monetary Items Net Foreign Currency Asset/(Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(100,015)	(98,520)	(1,495)	-	(96,915)	(96,925)	(43)	-

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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 2020 and 31 December 2019 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 2020				
	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	(1,142)	1,142	18,210	(18,210)
2. Secured portion from USD risk (-)	-	-	-	-
Change of EUR by 10% against TL:				
3. Euro net asset/liability	-	-	-	-
4. Secured portion from EUR risk (-)	-	-	-	-
Change of other currencies by 10% against TL:				
5. Other currencies net asset/liability	-	-	-	-
6. Secured portion from other currencies risk(-)	-	-	-	-

Foreign Exchange Rate Sensitivity Analysis Table				
31 December 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(-)	-	-	-	-

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:

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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 2020 are estimated to be their fair values since they are short term .

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 2020 and 31 December 2019 are shown in the table below:

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets and liabilities				
Cash and cash equivalents	11,923	11,923	5,063	5,063
Trade receivables	4,209	4,209	2,248	2,248
Other receivables	42	42	232	232
Receivables from finance sector activities	14	14	11	11
Payables from finance sector activities	52	52	41	41
Trade payables	137	137	165	165
Other payables	208	208	131	131
Bank borrowings	115,807	115,807	104,144	104,169

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 2020, there is no financial investment carried at fair value (31 December 2019: None).

35. Events after the reporting period

None