Mersin Uluslararası
Liman İşletmeciliği Anonim Şirketi
and its Subsidiaries

Condensed Consolidated Interim
Financial Statements
As At And For The Six Month Period Ended
30 June 2019
With Independent Auditors' Review Report

3 September 2019
This report includes 4 pages of independent auditors' review report and 27 pages of condensed consolidated interim financial statements together with their explanatory notes

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

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

Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of
Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its subsidiary ("the Group") as at 30 June 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Gökhan Atılgan, SMMM
Partner
3 September 2019
Istanbul, Turkey

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Financial Position
For the Six Month Period Ended 30 June 2019
Currency: Thousands of US Dollars ("USD") unless otherwise stated

	Notes	**30 June 2019**	**31 December 2018**
Assets			
Property and equipment	*10*	191,644	193,631
Right of use asset	*10*	8,928	--
Intangible assets	*11*	561,362	572,253
Trade and other receivables	*12- 16*	214,729	210,909
Non-current assets		**976,663**	**976,793**
Inventories		5,658	5,422
Trade and other receivables	*12*	19,955	20,482
Cash and cash equivalents	*14*	128,641	93,429
Current assets		**154,254**	**119,333**
Total assets		**1,130,917**	**1,096,126**
Equity			
Share capital		100,000	100,000
Legal reserve		36,138	35,889
Retained earnings		369,479	350,751
Total equity		**505,617**	**486,640**
Liabilities			
Debt securities	*15*	449,956	449,218
Employee benefits		4,242	3,948
Trade and other payables		12,540	12,791
Lease liabilities	*10*	9,082	--
Deferred tax liability	*13*	99,475	95,599
Non-current liabilities		**575,295**	**561,556**
Debt securities	*15*	10,134	10,134
Trade and other payables		31,654	33,048
Income tax payable		8,217	4,748
Current liabilities		**50,005**	**47,930**
Total liabilities		**625,300**	**609,486**
Total equity and liabilities		**1,130,917**	**1,096,126**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the Six Month Period Ended 30 June 2019

Currency: Thousands of USD unless otherwise stated

	Notes	30 June 2019	30 June 2018
Operating revenue	*6*	163,432	151,540
Construction revenue	*11*	2,371	3,589
Cost of operating revenues	*7*	(58,886)	(59,994)
Cost of construction	*11*	(2,371)	(3,589)
Gross profit		**104,546**	**91,546**
General administrative expense	*7*	(12,079)	(11,084)
Other (expense)/income		665	(2,306)
Operating profit		**93,132**	**78,156**
Finance income	8	9,297	6,390
Finance costs	8	(14,534)	(13,973)
Net finance costs		**(5,237)**	**(7,583)**
Profit before tax		**87,895**	**70,573**
Income tax expense	*9*	(20,256)	(16,556)
Profit for the period		**67,639**	**54,017**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences of defined benefit liability plans		(192)	(251)
Related tax	*9*	38	50
		(154)	**(201)**
Other comprehensive income, net of tax		**(154)**	**(201)**
Total comprehensive income		**67,485**	**53,816**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Changes in Equity
For the Six Month Period Ended 30 June 2019
Currency: Thousands of USD unless otherwise stated

	Paid-in capital	Legal reserve	Retained earnings	Total equity
Balances at 31 December 2017	**100,000**	**30,345**	**352,189**	**482,534**
Adjustment from adoption of IFRS 9 (net of tax)	**--**	**--**	(129)	(129)
Adjusted balance at 1 January 2018	**100,000**	**30,345**	**352,060**	**482,405**
Total comprehensive income for the period				
Profit for the period	--	--	54,017	54,017
Actuarial differences net of tax	--	--	(201)	(201)
Total comprehensive income for the period	--	--	**53,816**	**53,816**
Total transactions with owners of the Company				
Legal reserve	--	5,544	(5,544)	--
Dividend distribution	--	--	(56,926)	(56,926)
Total transactions with owners of the Company	**--**	**5,544**	**(62,470)**	**(56,926)**
Balances at 30 June 2018	**100,000**	**35,889**	**343,406**	**479,295**

	Paid-in capital	Legal reserve	Retained earnings	Total equity
Balances at 1 January 2019	**100,000**	**35,889**	**350,751**	**486,640**
Total comprehensive income for the period				
Profit for the period	--	--	67,639	67,639
Actuarial differences net of tax	--	--	(154)	(154)
Total comprehensive income for the period	--	--	**67,485**	**67,485**
Total transactions with owners of the Company				
Legal reserve	--	249	(249)	--
Dividend distribution	--	--	(48,508)	(48,508)
Total transactions with owners of the Company	**--**	**249**	**(48,757)**	**(48,508)**
Balances at 30 June 2019	**100,000**	**36,138**	**369,479**	**505,617**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Cash Flows
For the Six Month Period Ended 30 June 2019
Currency: Thousands of USD unless otherwise stated

	Note	30 June 2019	30 June 2018
Cash flows from operating activities			
Profit for the period		67,639	54,017
Adjustments for:			
Depreciation and amortisation expense	*7*	22,612	20,782
Provisions		(513)	(4,601)
Net finance costs	*8*	5,237	7,583
Current tax expense	*9*	16,342	4,521
Deferred tax expense	*9*	3,914	12,035
Bad debt provision		(24)	51
Realization of tax incentive		(590)	(639)
Provision for employee benefits		(156)	205
Change in:		**114,461**	**93,952**
Trade and other receivables		762	6,577
Inventories		(236)	(1,159)
Trade and other payables		944	2,784
Cash generated from operating activities		**115,931**	**102,154**
Taxes paid		(10,476)	(2,615)
Employee benefits paid		(138)	(264)
Net cash from operating activities		**105,317**	**99,275**
Cash flows from investing activities			
Interest received		1,245	5,000
Acquisition of property and equipment	*10*	(6,328)	(8,997)
Acquisition of intangible assets	*11*	(2,668)	(1,625)
Proceeds from sale of property and equipment		--	3,381
Net cash used in investing activities		**(7,751)**	**(2,241)**
Cash flows from financing activities			
Interest paid-debt securities		(13,320)	(13,232)
Dividends paid		(48,508)	(56,926)
Interest paid-loans and borrowings		(526)	(22)
Net cash used in financing activities		**(62,354)**	**(70,180)**
Net change in cash and cash equivalents		**35,212**	**26,854**
Cash and cash equivalents at 1 January		93,429	262,336
Cash and cash equivalents at year end	*14*	**128,641**	**289,190**

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

Currency: Thousands of US Dollars ("USD") unless otherwise stated

1 Reporting entity

Mersin Uluslarararası Liman İşletmeciliği Anonim Şirketi ("the Company") is a company domiciled in Turkey. The address of the Company's registered office is Yenimahalle 101 Cadde 5307 Sokak No.5 33100 Mersin, Turkey. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as 'the Group'). The key operational activities of the Group are container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services and consultancy fees.

The Company has been registered on 4 May 2007 and started to operate on 11 May 2007, based on the Concession Agreement between the Company and the Turkish Privatization Administration.

Mersin Port used to be operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin Port on 14 August 2005. However, the bid could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to the Company, a joint venture between PSA International Group and Akfen Altyapı Yatırımları Holding Anonim Şirketi ("Akfen Altyapı Yatırımları"), for the next 36 years on 11 May 2007. On 23 July 2009, the shareholder of the Company, Akfen Altyapı Yatırımları has merged with its own shareholder, Akfen Holding Anonim Şirketi ("Akfen Holding"). This merger was done under the name of Akfen Holding. In October 2017, 40% shares of Akfen Holding has transferred to Global Infraco SP Neum SLU.

As of 30 June 2019 and 31 December 2018 shareholder structures of the Company are as follows:

	30 June 2019		31 December 2018	
Shareholders	**%**	**USD**	**%**	**USD**
PSA Turkey Pte. Ltd.	51.00	51,000,000	51.00	51,000,000
Global Infraco SP Neum SLU	39.00	39,000,000	39.00	39,000,000
AKFEN Holding Anonim Şirketi ("Akfen Holding")	10.00	10,000,000	10.00	10,000,000
Total	**100.00**	**100,000,000**	**100.00**	**100,000,000**

As at 30 June 2019, the Company has two subsidiaries. Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("Mersin Denizcilik") is the subsidiary of the Company and Mersin Denizcilik acts as a subcontractor of the Company for marine business.

With the board resolution dated 12 February 2019, the Company management has decided to establish a joint stock company called Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi ("Mersin Pilotaj") with TL 1,000,000 paid-in capital. Mersin Pilotaj acts as a subcontractor of the Company for pilotage services. As at 30 June 2019 details of the subsidiaries is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	100	100
Mersin Pilotaj	Pilotage business	Turkey	100	100

As at 31 December 2018 details of the subsidiary is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	100	100

The number of employees of the Group as at 30 June 2019 is 1,930 (31 December 2018: 1,897).

2 Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's consolidated financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

The condensed consolidated interim financial statements of the Group as at and for the six month period ended 30 June 2019 were approved by the Group management on 3 September 2019.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in Note 5.

(c) Functional and presentation currency

The Group maintain its books of account and prepare its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles in the Turkish Commercial Code and tax legislation. The accompanying condensed consolidated interim financial statements are presented in US Dollar ("USD"), is the Company's functional and presentation currency. All financial information presented in USD has been rounded to nearest thousands, except when otherwise indicated. Although the currency of the country in which the Company operates is TL, the Group's functional currency and reporting currency is USD since USD is used to a significant extent in, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group.

(d) Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

i Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

ii As a lessee

The Group leases many assets, including, properties and vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.
The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment'. . The carrying amounts of right-of-use assets are as below.

	Property, plant and equipment	**Total**
Balance at 1 January 2019	9,666	9,666
Balance at 30 June 2019	8,928	8,928

3 Changes in significant accounting policies *(continued)*

ii ***As a lessee*** *(continued)*

Significant accounting policies

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

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

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

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

Transition

Previously, the Group classified property and vehicle leases as operating leases under IAS 17. Some leases include an option to renew the lease for an additional one year after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

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

– their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or

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

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

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

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

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

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting policies *(continued)*

iii Impacts on financial statements

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property and equipment	9,666
Lease liabilities	(9,666)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied for USD and TL denominated operating leases are 5.9% and 22%, respectively.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD 8,928 thousands of right-of-use assets and USD 9,082 thousands of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised USD 738 thousands of depreciation charges and 548 thousands of interest costs from these leases.

4 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

IFRS 17 Insurance Contracts

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

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Group does not expect that application of IFRS 4 will have significant impact on its condensed consolidated interim financial statements.

The revised Conceptual Framework

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

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its condensed consolidated interim financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

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

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With these amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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 liability that are not based on observable market data (unobservable inputs).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

5 Measurement of fair values *(continued)*

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Operating revenue

For the six month period ended 30 June, revenue comprised the following:

	2019	**2018**
Container handling	128,484	113,777
Conventional cargo	22,169	24,159
Marine services	12,779	13,604
	163,432	**151,540**

7 Expenses by nature

For the six month period ended 30 June, cost of operating revenue and general administrative expense comprised the following:

	2019	**2018**
Personnel expenses and contract services	29,615	31,527
Amortisation and depreciation charges	22,612	20,782
Power, fuel and maintenance expenses	7,900	7,364
Royalty expenses	5,052	4,598
Other direct charges and general administrative expenses	5,786	6,807
	70,965	**71,078**

8 Net finance costs

For the six month period ended 30 June, net finance costs comprised the following:

	2019	**2018**
Interest income on bank deposits	1,455	5,030
Interest income on due from related parties	3,819	--
Foreign exchange gain, net	4,023	1,360
Finance income	**9,297**	**6,390**
Interest expense on debt securities	(13,957)	(13,949)
IFRS 16 interest expense	(548)	--
Interest expense on bank borrowings	(29)	(24)
Finance costs	**(14,534)**	**(13,973)**
Net finance costs recognized in profit or loss	**(5,237)**	**(7,583)**

9 Income tax

As of 30 June 2019, the rate of Corporate Tax applied in Turkey is 22% (2018: 22%). With the provisional Article 10 of the Law No: 7061 on the Amendment of Certain Tax Laws and Some Other Laws, published in the Official Gazette dated 5 December, 2017 and numbered 30261, and the Provisional 10th article added to the Law on Corporate Income Tax No. 5520, The corporate income tax rate for corporate earnings for the years 2018, 2019 and 2020 will be applied as 22%.

In addition, as a result of the amendment made in the Law on Taxation of Institutions with the same Law No. 5520, 75% exemption granted for the gains derived from the sale of immovable assets of institutions for at least two full years shall be applied as 50% as from 1 January 2018.

There is also a 15 percent withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax recognized in profit or loss

For the six month period 30 June, income tax expense comprised the following items:

	2019	2018
Current tax expense		
Current period	16,342	4,521
	16,342	**4,521**
Deferred tax expense		
Originating and reversal of temporary differences	3,914	12,035
	3,914	**12,035**
Total tax expense	**20,256**	**16,556**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Advance payments during the year are being deducted from the final tax liability computed over current period operations in accordance with related regulation for prepaid taxes on income. Accordingly, the current tax charge on income computed is not equal to the final tax liability appearing on the consolidated statement of financial position.

Reconciliation of effective tax rate

The reported taxation charge for the six month period 30 June is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		2019		2018
Profit for the year		67,639		54,017
Total income tax	%	20,256	%	16,556
Profit before income tax		**87,895**		**70,573**
Income tax using the Group's domestic tax rate	(22.00)	(19,337)	(22.00)	(15,526)
Disallowable expenses	(0.04)	(36)	(0.10)	(71)
Translation effect	(1.00)	(883)	(1.36)	(959)
	(23.05)	**(20,256)**	**(23.46)**	**(16,556)**

Income tax recognized directly in other comprehensive income:

	2019	2018
Actuarial difference	38	50
Total income tax recognized directly in other comprehensive income	**38**	**50**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property, equipment and right of use assets

Movements in property and equipment during the periods ended 30 June 2019 and 2018 are as follows:

	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Right of use asset	Total
Cost							
Balance at 1 January 2018	99,771	9,854	14,079	101,916	12,077	--	237,697
Additions (**)	4,892	402	145	2	3,556	--	8,997
Disposals	(3,924)	(2)	--	--	--	--	(3,926)
Transfers	10,055	--	--	--	(10,055)	--	--
Balance at 30 June 2018	**110,794**	**10,254**	**14,224**	**101,918**	**5,578**	**--**	**242,768**
Balance at 1 January 2019 (*)	116,930	8,737	14,366	102,704	2,679	9,666	255,082
Additions (**)	1,607	1,979	93	112	2,537	--	6,328
Disposals	(1)	(535)	--	--	--	--	(536)
Balance at 30 June 2019	**118,536**	**10,181**	**14,459**	**102,816**	**5,216**	**9,666**	**260,874**
Accumulated depreciation							
Balance at 1 January 2018	(21,415)	(7,745)	(4,050)	(5,502)	--	--	(38,712)
Depreciation charge	(3,924)	(343)	(1,450)	(1,939)	--	--	(7,656)
Disposals	543	2	--	--	--	--	545
Balance at 30 June 2018	**(24,796)**	**(8,086)**	**(5,500)**	**(7,441)**	**--**	**--**	**(45,823)**
Balance at 1 January 2019	(28,724)	(6,543)	(7,108)	(9,410)	--	--	(51,785)
Depreciation charge	(4,315)	(616)	(1,445)	(1,939)		(738)	(9,053)
Disposals	1	535	--	--	--	--	536
Balance at 30 June 2019	**(33,038)**	**(6,624)**	**(8,553)**	**(11,349)**	**--**	**(738)**	**(60,302)**
Carrying amounts							
At 1 January 2018	**78,356**	**2,109**	**10,029**	**96,414**	**12,077**	**--**	**198,985**
At 30 June 2018	**85,998**	**2,168**	**8,724**	**94,477**	**5,578**	**--**	**196,945**
At 1 January 2019	**88,206**	**2,194**	**7,258**	**93,294**	**2,679**	**9,666**	**203,297**
At 30 June 2019	**85,498**	**3,557**	**5,906**	**91,467**	**5,216**	**8,928**	**200,572**

(*) As a result of initially applying IFRS 16 as at 1 January 2019, in relation to the leases that were previously classified as operating leases, the Group recognised USD 9,666 thousands of right-of-use assets and USD 9,666 thousands of lease liabilities (30 June 2019: USD 8,928 and USD 9,082 respectively).

(**) Additions to improvement and upgrading of existing infrastructure of TCDD born by the Company is transferred to intangible asset. There is not any pledge on property and equipment. As at 30 June 2019, depreciation expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 8,786 and USD 267, respectively (30 June 2018: USD 7,496 and USD 160).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets

Movements in intangible assets during the periods ended 30 June 2019 and 2018 are as follows:

Cost	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2018	2,619	858,777	861,396
Additions	672	953	1,625
Balance at 30 June 2018	**3,291**	**859,730**	**863,021**
Balance at 1 January 2019	3,764	864,869	868,633
Additions	297	2,371	2,668
Balance at 30 June 2019	**4,061**	**867,240**	**871,301**
Accumulated amortisation			
Balance at 1 January 2018	(2,394)	(267,305)	(269,699)
Amortisation for the period	(212)	(12,914)	(13,126)
Balance at 30 June 2018	**(2,606)**	**(280,219)**	**(282,825)**
Balance at 1 January 2019	(3,063)	(293,317)	(296,380)
Amortisation for thedone	(478)	(13,081)	(13,559)
Balance at 30 June 2019	**(3,541)**	**(306,398)**	**(309,939)**
Carrying amounts			
At 1 January 2018	**225**	**591,472**	**591,697**
At 30 June 2018	**685**	**579,511**	**580,196**
At 1 January 2019	**701**	**571,552**	**572,253**
At 30 June 2019	**520**	**560,842**	**561,362**

11 Intangible assets *(continued)*

The Group recognised an intangible asset amounting to USD 755,000 to the extent that it received the port operation right from TCDD to charge users of Mersin International Port. Additionally cumulative cost of improvement and upgrading of existing infrastructure of TCDD born by the Company is recognised as an intangible asset amounting to USD 2,371 (30 June 2018: USD 3,589).

As at 30 June 2019, amortization expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 13,158 and USD 401, respectively (30 June 2018: USD 12,832 and USD 294).

Contractual obligations

The Group is subject to any terms and conditions of the Concession Agreement and its appendices entered into by the Group, Privatization Administration ("PA") and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, the Group is obliged to fulfil the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services;
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder;
- to observe any reporting obligations;
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements;
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this;
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfil its obligations toward increase of capacity of the Port within 5 years following the signing date;
- to fulfil any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities;
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing;
- to fulfil any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc.;
- to allow any public inspection under the provisions of the Agreement;
- to observe any restriction on use of the plants;
- to fulfil any insurance obligations;
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle;
- to maintain sustainability of public services and service standards;
- to implement maintenance and repairs of the plants;
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets *(continued)*

- to have any resolution on legal structure of the Company to be approved by TCDD.

The Group fulfilled their obligation on increase in capacity of the above-mentioned port in May 2012, and completed any official notification application for approval by the Administration.

12 Trade and other receivables

Trade and other receivables as at 30 June 2019 and 31 December 2018 are as follows:

Non-current:	**2019**	**2018**
Due from related parties * (Note 16)	214,729	210,909
VAT receivable **	6,842	14,843
Allowance for VAT receivable**	(6,842)	(14,843)
	214,729	**210,909**

Current:	**2019**	**2018**
Trade receivables	18,319	18,067
VAT receivable	1,127	2,118
Prepaid expenses	1,034	1,370
Income accruals	211	28
Due from related parties (Note 16)	19	2
Prepaid taxes	--	46
Allowance for doubtful receivables (-)	(1,559)	(1,583)
Other	804	434
	19,955	**20,482**

* The Group has signed loan agreements with the Group's shareholders on 25 October 2018 according to designated "Upstream Loan Facility Agreement". The Group has lent USD 270 million loan in total to the Group's shareholders pro rata of their shares, with 7 years maturity and interest free. The receivable is measured at amortized cost by effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument.

****** The Group has applied the tax court to refund the VAT receivable in 2010. On July 2012, this lawsuit was rejected formally by the State of Council due to procedural reasons. According to opinion of the advisors, the Group applied to the tax office with a decision correction petition which was rejected. The Group appealed to Ministry of Finance and since Ministry of Finance does not reply, the Group applied to tax court which was rejected. After rejection by the tax court, the Group appealed to the Supreme Court. The Supreme Court has also rejected the lawsuit.

Therefore, for the period between May 2007 and June 2019, the Company management has recognized a provision amounting to USD 6,842 (31 December 2018: USD 14,843).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

13 Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities in the accompanying consolidated financial statements.

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 30 June 2019 and 31 December 2018 are attributable to the items detailed in the table below:

	2019		2018		2019	2018
	Assets	Liabilities	Assets	Liabilities	Net	Net
Property and equipment	--	(11,783)	--	(11,254)	(11,783)	(11,254)
Intangible assets	--	(103,926)	--	(102,376)	(103,926)	(102,376)
Loans and borrowings	100	--	--	(48)	100	(48)
Trade and other receivables	--	(1,073)	--	(56)	(1,073)	(56)
Trade and other payables	4,970	--	5,209	--	4,970	5,209
Receivables from related parties	11,297	--	12,137	--	11,297	12,137
Others	940	--	789	--	940	789
Deferred tax asset/ (liability)	**17,307**	**(116,782)**	**18,135**	**(113,734)**	**(99,475)**	**(95,599)**

Movements in temporary differences during the periods ended 30 June:

	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	30 June 2019
Property and equipment	(11,254)	(529)	--	--	(11,783)
Intangible assets	(102,376)	(1,550)	--	--	(103,926)
Loans and borrowings	(48)	148	--	--	100
Trade and other receivables	(56)	(1,017)	--	--	(1,073)
Trade and other payables	5,209	(239)	--	--	4,970
Receivables from related parties	12,137	(840)	--	--	11,297
Others	789	113	38	--	940
	(95,599)	**(3,914)**	**38**	**--**	**(99,475)**

	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	30 June 2018
Property and equipment	(7,277)	(2,709)	--	--	(9,986)
Intangible assets	(90,622)	(8,005)	--	--	(98,627)
Loans and borrowings	(385)	146	--	--	(239)
Trade and other receivables (*)	1,089	(525)	--	--	564
Trade and other payables	5,136	(891)	--	--	4,245
Others	830	(51)	50	--	829
	(91,229)	**(12,035)**	**50**	**--**	**(103,214)**

(*) The balance at 1 January 2018 includes the effect of initially applying IFRS 9.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

14 Cash and cash equivalents

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Cash at banks	128,635	93,422
-Time deposits	*128,088*	*93,112*
-Demand deposits	*547*	*310*
Cash on hand	6	7
Cash and cash equivalents	**128,641**	**93,429**

As at 30 June 2019, the time deposits are comprised USD bank placements amounting to USD 124,461 (31 December 2018: USD 91,214) having interest rate of between 0.15 percent and 2.90 percent (31 December 2018: between 0.60 percent and 3.40 percent) with an original maturity up to one month (31 December 2018: up to one month), TL bank placement amounting to USD 3,183 (31 December 2018: USD 1,452) having interest rate between 7.00 percent and 22.00 percent with an original maturity up to one month (31 December 2018: between 5.00 percent and 20 percent) and EUR bank placement amounting to USD 444 (31 December 2018: USD 466) having interest rate between 1.20 percent and 1.35 percent with an original maturity up to one month (31 December 2018: between 0.20 percent and 1.40 percent).

As at 30 June 2019, there is no restriction on bank deposits.

15 Debt securities

As at 30 June 2019 and 31 December 2018, debt securities are as follows:

Non-current:	**2019**	**2018**
Debt securities	449,956	449,218
	449,956	**449,218**

Current:	**2019**	**2018**
Debt securities-interest payable	10,134	10,134
	10,134	**10,134**

As at 12 August 2013, the Company has issued bonds with maturity date on 12 August 2020 and nominal amount of USD 450,000 (issue price: 99.576 percent) at an interest rate of 5.875 percent to be paid in every six months, and is listed on the Irish Stock Exchange. Par value difference amounting to USD 136 and prepaid transaction costs of USD 569 of debt securities is netted from the balance (31 December 2018: USD 440 and USD 1,174 respectively).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

15 Debt securities *(continued)*

Finance cost	**31 December 2018**	**Cash Flow**	**Non Cash Flow**	**30 June 2019**
Debt securities	459,352	--	738	460,090
Total	**459,352**	**--**	**738**	**460,090**

Finance cost	**31 December 2017**	**Cash Flow**	**Non Cash Flow**	**31 December 2018**
Debt securities	457,669	--	1,683	459,352
Total	**457,669**	**--**	**1,683**	**459,352**

16 Related parties

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by them; are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

16.1 Transactions with key management personnel

Key management costs included in general administrative expenses for the period ended 30 June 2019 amounts to USD 478 (30 June 2018: USD 333).

16.2 Related party balances

As at 30 June 2019 and 31 December 2018, due from related parties comprised the following:

Due from related parties-current	**2019**	**2018**
PSA Lojistik A.Ş.	19	2
	19	**2**

Due from related parties-non-current	**2019**	**2018**
PSA Turkey Pte. Ltd.	109,512	108,782
Global Infraco SP Neum SLU	83,744	81,771
Akfen Altyapı Holding A.Ş.	21,473	20,356
	214,729	**210,909**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

16 Related parties *(continued)*

16.2 Related party balances (continued)

As at 30 June and 31 December, due to related parties comprised the following:

Due to related parties	**2019**	**2018**
PSA International Pte Ltd	757	742
Kestros Mersin Services.S.L.U.	--	19
Sarus Mersin Services.S.L.U.	--	19
Meander Mersin Services.S.L.U.	--	19
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	--	5
Akfen Holding	--	1
	757	**805**

16.3 Related party transactions

For the six month periods ended 30 June transactions with related parties are summarized below:

Cost of operating revenues	**2019**	**2018**
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	1	--
	1	**--**

For the six month periods ended 30 June transactions with related parties are summarized below:

Administrative expenses	**2019**	**2018**
PSA International Pte Ltd	4,891	4,671
PSA Antwerp NV	299	289
Akfen Altyapı Holding A.Ş.	47	--
PSA Invest E PTE. Ltd	36	--
PSA Invest T PTE. Ltd	36	--
PSA Invest K PTE. Ltd	36	--
PSA Invest R PTE. Ltd	36	--
PSA Invest U PTE. Ltd	21	--
Akfen Holding A.Ş.	4	--
	5,406	**4,960**

17 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

17.1 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an acceptable period, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17 Financial instruments *(continued)*

Financial risk management *(continued)*

17.1 Liquidity risk (continued)

The following tables provide an analysis of financial liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment:

	30 June 2019						
	Carrying amount	**Contractual cash flow**	**Up to 6 months**	**6 to 12 months**	**1-2 years**	**2-5 Years**	**More than 5 years**
Debt securities	460,090	489,656	13,219	13,219	463,219	--	--
Trade and other payables(*)	15,645	15,645	15,645	--	--	--	--
Non- derivative financial liabilities	**475,735**	**505,301**	**28,864**	**13,219**	**463,219**	**--**	**--**

	31 December 2018						
	Carrying amount	**Contractual cash flow**	**Up to 6 months**	**6 to 12 months**	**1-2 years**	**2-5 Years**	**More than 5 years**
Debt securities	459,352	502,875	13,219	13,219	476,437	--	--
Trade and other payables(*)	16,983	16,983	16,983	--	--	--	--
Non- derivative financial liabilities	**476,335**	**519,858**	**30,202**	**13,219**	**476,437**	**--**	**--**

(*) Non-financial instruments such as provision, advances received and accruals are excluded from trade and other payables.

17.2 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the periods ended 30 June, Adjusted EBITDA margins of the Group are as below:

	2019	**2018**
Adjusted EBITDA (*)	115,080	101,244
Operating revenue	163,432	151,540
Adjusted EBITDA margin (%)	70.41	66.81

(*) The Company defines Adjusted EBITDA as profit for the period before net finance costs, income tax expense, amortization and depreciation charges (including depreciation expenses of operating leases in the scope of IFRS 16 for 2019 period) and other expense/income. Management believes Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by currency fluctuations (affecting exchange gains and losses), variations in capital structures (affecting interest income and expense), tax positions (such as the impact on periods or companies of change in effective tax rates or net operating losses) and the age and book value of tangible and intangible assets (affecting related depreciation and amortization expense expense).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17.2 Capital management (continued)

(*) While the presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity, investors should not construe these non-IFRS measures as an alternative to profit or to cash flows from operations. In addition, the EBITDA of the Company may not be comparable to similarly titled measures used by other companies.

Adjusted EBITDA reconciliation, for the periods ended 30 June:

	2019	2018
Profit for the year	67,639	54,017
Net finance costs	5,237	7,583
Income tax expense	20,256	16,556
Amortization and depreciation charges	22,613	20,782
Other (expense)/income	(665)	2,306
Adjusted EBITDA	**115,080**	**101,244**

18 Subsequent events

1. The Group has signed loan agreements with the Group's shareholders on 25 October 2018 according to designated "Upstream Loan Facility Agreement". The Group has lent USD 270 million loan in total to the Group's shareholders pro rata of their shares, with 7 years maturity and interest free. The receivable is measured at amortized cost by effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument.

However, there was a recent Decree No: 32, para. 17/A-2 and latest circular published by Turkish Central Bank on Capital Transfers/Movements, para 38. (Dated 2 May 2018) which limits the currency of the loans. According to new regulations; Turkish Companies are not permitted to borrow foreign currency denominated loans from Turkish companies. As a result, currency of the loan provided to Akfen Altyapı Holding A.Ş. has to be converted into TL and a new interest rate over TL denominated loan has to be determined. The reference interest rate is mainly Turkish Republic Central Bank (TRCB) deposit interest rate (lately published in June 2018) which is 19.5%.

The currency of initial USD 27 million loan provided to Akfen Altyapı Holding A.Ş. has been converted into TL in a principal amount that equals to TL.

2. According to the New Marine Services Regulation effective as from January 2019, MIP had set up a new pilotage company (MMP), and increased capital of MMI to be able to apply and obtain required licenses according to mentioned new regulation both for MMI (towage company) and MMP (pilotage company). As part of this process, a new tug boat and pilot boats (which have to be transferred from MMI to MMP) had to be registered at the Harbor Master Office in Istanbul which was rejected as according to cabotage law «the majority of shareholders of MMI and MMP has to be Turkish». Although MIP could be seen as a Turkish company, the majority of the shareholders of MIP are non-Turkish which is the reason for Ministry of Transport (MoT)'s reluctance in registration.

18 Subsequent events (continued)

With the board resolution dated 1 August 2019, MIP will transfer more than 50% of the shares of MMI and MMP to two (2) Turkish MMI Directors and three (3) Turkish MMP where a right of usufruct will be granted by Directors of MMI and MMP in favor of MIP, so dividends will still be distributed to MIP.

3. In line with the company's active debt management policy and considering that its outstanding USD 450 million notes at an interest rate of 5.875 percent with August 2020 maturity have become callable at par, the company is closely monitoring opportunities to refinance the notes in the capital markets in the available financing windows between now and the maturity date.