

**KARPOWER INTERNATIONAL B.V.
AT AMSTERDAM**

Annual Report 2018/2019

September 9, 2020



Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

CONTENTS

Page

FINANCIAL STATEMENTS

1	Balance sheet as at November 30, 2019	4
2	Profit and loss account over 2018/2019	5
3	Notes to the financial statements	6
4	Notes to the balance sheet as of November 30, 2019	10
5	Notes to the profit and loss account 2018/2019	23
6	Other disclosures	27

OTHER INFORMATION

1	Provisions of the Articles of Association relating to profit appropriation	30
2	Independent auditor's report	30

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Related to auditor's report
dated September 9, 2020

FINANCIAL STATEMENTS

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Related to auditor's report
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1 BALANCE SHEET AS AT NOVEMBER 30, 2019
(before appropriation of results)

		November 30, 2019		November 30, 2018	
		\$	\$	\$	\$
ASSETS					
Fixed assets					
Tangible fixed assets	(1)				
Other tangible fixed assets			18,978		29,316
Financial fixed assets	(2)				
Participations in group companies		817,400,649		559,288,602	
Receivables from group companies		599,215,396		133,060,151	
Other participating interests		<u>7,500,000</u>		<u>700</u>	
			1,424,116,045		692,349,453
Current assets					
Receivables, prepayments and accrued income	(3)				
Receivables from group companies		20,009,592		2,604,015	
Taxes and social securities		27,349		37,173	
Other receivables, prepayments and accrued income		<u>47,605</u>		<u>401,327</u>	
			20,084,546		3,042,515
Cash and cash equivalents	(4)		19,426,911		19,503,067
ASSETS			<u>1,463,646,480</u>		<u>714,924,351</u>

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Related to auditor's report
dated September 9, 2020

		November 30, 2019		November 30, 2018	
		\$	\$	\$	\$
EQUITY AND LIABILITIES					
Equity	(5)				
Issued share capital		836,590,331		573,165,825	
Share premium reserve		94,678		10,693,066	
Other reserves		-290,343,251		-354,947,363	
Undistributed result		<u>273,784,090</u>		<u>324,430,234</u>	
			820,125,848		553,341,762
Non-current liabilities	(6)				
Debt to credit institutions		478,714,455		105,379,759	
Loans from group companies		<u>40,806</u>		<u>4,341,666</u>	
			478,755,261		109,721,425
Current liabilities	(7)				
Short term part long-term debt to credit institutions		119,828,622		40,008,504	
Trade creditors		51,761		295,655	
Loans from participations in group companies		24,001,513		2,798,923	
Amounts due to participants and to companies in which participation takes place		-		7,500,000	
Taxes and social securities		19,334		-	
Other liabilities, accruals and deferred income		<u>20,864,141</u>		<u>1,258,082</u>	
			164,765,371		51,861,164
EQUITY AND LIABILITIES			<u>1,463,646,480</u>		<u>714,924,351</u>

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dated September 9, 2020.

2 PROFIT AND LOSS ACCOUNT OVER 2018/2019

		2018/2019		2017/2018	
		\$	\$	\$	\$
Other operating income	(8)		245,634		286,766
Sum of operating income			245,634		286,766
Expenses					
Employee expenses	(9)	603,713		417,157	
Depreciation	(10)	10,338		10,338	
Impairment of current assets	(11)	1,927,004		-	
Other operating expenses	(12)	1,094,718		789,461	
			3,635,773		1,216,956
Operating result			-3,390,139		-930,190
Interest and similar income	(13)	54,585,156		6,186,052	
Interest and similar expenses	(14)	-54,437,222		-8,625,628	
Financial income and expenses			147,934		-2,439,576
Result before tax			-3,242,205		-3,369,766
Taxes			-		-
Share in result of participating interests	(15)		277,026,294		327,800,000
Result after tax			273,784,089		324,430,234

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Related to auditor's report
dated September 9, 2020

3 NOTES TO THE FINANCIAL STATEMENTS

GENERAL

Activities

The activities of Karpower International B.V. (the Company), with registered offices in Amsterdam, mainly consist of management, holding, financing and insurance service activities.

Going concern

The outbreak of the Corona Virus in 2020 has no negative impact on the activities of Karpower International B.V. The amounts received from dividend, interest and other charged expenses remains at a stable level. One reason being the fact that the power ships of the Karadeniz group are supplying mostly to residential areas, for example. This supply is important to the countries concerned, therefore any amounts due are being paid to the Karadeniz Group within the (usual) payment terms. As such amounts for interest and dividend payments are still available to Karpower International B.V. The Corona Virus has no material impact but there is uncertainty related to the development of the future results of the Company.

Registered office, legal form and registration number at the chamber of commerce

The registered and actual address of Karpower International B.V. (Coc file 34369187) is Herengracht 493, 1017 BT, in Amsterdam.

Group structure

The company is part of the Karkey Group. The immediate parent company is Karkey Karadeniz Elektrik Üretim A.S. in Istanbul, Turkey. The ultimate parent company is Karadeniz Holding A.S.. The financial statements of the Company are consolidated into the Annual report of the ultimate shareholder.

In accordance with article 2:408 of the Netherlands Civil Code (subholding exemption) no consolidated annual accounts have been prepared.

The audited financial statements of the ultimate Parent Company are filed with the Chamber of Commerce together with these financial statements.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet and income statement, references are made to the notes.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

The insurance expenses in the profit and loss account have been reclassified from other operating expenses to other operating income. The reclassification does not effect the result or equity.

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Leasing

Operational leasing

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Functional Currency

The Company is domiciled in the Netherlands. The Company conducts most of its business in U.S. Dollars, loans granted by the Company and the other financing activities are denominated in U.S. Dollars and contributions to the capital of the subsidiaries are denominated in U.S. Dollars. Accordingly, U.S. Dollars was determined to be the Company's functional and presentation currency, which reflects the economic substance of the underlying events and circumstances relevant to the Company. The financial statements are presented in U.S. Dollars, which is the functional and presentation currency of the Company.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognised in the annual accounts at the exchange rates prevailing at transaction date.

ACCOUNTING PRINCIPLES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets

Tangible fixed assets are presented at acquisition price less cumulative depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Financial fixed assets

Investment in subsidiaries

Due to the use of the exemption provided by article 408, Book 2 of the Netherlands Civil Code, the investments in participations are stated at the acquisition price or, if permanent, at impaired net realizable value.

Receivables

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Other participating interests

Other participating interests are stated at the acquisition price or, if permanent, at impaired net realizable value.

Impairment of non-current assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

Receivables, prepayments and accrued income

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions. The fair value and amortised cost equal the face value. Any provisions for the risk of doubtful debts are deducted. These provisions are determined based on individual assessment of the receivables. The receivables presented as current assets are expected to be collected within one year.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value and, insofar as not stated otherwise, are at the free disposal of the company. Cash and cash equivalents relate to immediately due and payable withdrawal claims against credit institutions and cash resources.

Non-current liabilities

Long-term liabilities concern loans with a term of longer than one year. The part of the loans that is repaid in the coming financial year, has been included under the current liabilities.

Upon initial recognition, the loans and liabilities recorded are stated at fair value and then valued at amortised cost. When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using the effective interest method.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price.

When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value. All current liabilities fall due in less than one year.

ACCOUNTING PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

The result is the difference between the realisable value of the services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Determination of the result

The result is determined based upon the difference between the total operating income and the costs and other expenses taking into account the aforementioned valuation principles.

Other operating income

Other operating income consists of assurance services and charged expenses. These revenues are allocated to the reporting period in accordance with the content of the agreement.

Expenses general

Costs are attributed to the financial year to which they related.

Employee expenses

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Depreciation

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost based on the expected life cycle. Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

Future depreciations is adjusted if there is a change in estimated future useful life.

Financial income and expenses

Financial income and expenses comprise interest income and expenses for loans (issued and received) during the current period. Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate.

Receivables, liabilities and obligations denominated in foreign currencies are translated at the exchange rates prevailing at balance sheet date.

Share in result of participating interests

Dividends to be received from participations not carried as net asset value are recognised in the income statement in the period that they arise as soon the Company has acquired the right to them.

Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the annual account and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

4 NOTES TO THE BALANCE SHEET AS OF NOVEMBER 30, 2019

1. Tangible fixed assets

	Other tangible fixed assets
	\$
<i>Carrying amount as of December 1, 2018</i>	
Purchase price	51,679
Cumulative depreciation	<u>-22,363</u>
	<u>29,316</u>
<i>Movement</i>	
Depreciation	<u>-10,338</u>
<i>Carrying amount as of November 30, 2019</i>	
Purchase price	51,679
Cumulative depreciation	<u>-32,701</u>
	<u>18,978</u>
<i>Depreciation rates</i>	%
Other tangible fixed assets	20

2. Financial fixed assets

	Participations in group companies	Receivables from group companies	Other participating interests	Total
	\$	\$	\$	\$
Carrying amount as of December 1, 2018	559,288,602	133,060,151	700	692,349,453
Investments	261,926,953	537,310,700	7,500,000	806,737,653
Disposals / collections	-4,200	-57,888,159	-700	-57,893,059
Impairment	-3,810,706	-	-	-3,810,706
Amortisation capitalised expenses	-	4,076,535	-	4,076,535
Capitalised expenses	-	-17,343,831	-	-17,343,831
Carrying amount as of November 30, 2019	<u>817,400,649</u>	<u>599,215,396</u>	<u>7,500,000</u>	<u>1,424,116,045</u>

The cumulative impairment of participations in group companies amounts per November 30, 2019 \$ 14,610,706 (November 30, 2018: \$ 10,800,000).

For disclosure of the impairment of participations in group companies we refer to note 15.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	11/30/2019	11/30/2018
	\$	\$
Participations in group companies		
Karmol Powership Company Ltd. at Malta (100%)	145,000,000	-
Karadeniz Powership Orhan Bey Co Ltd. at Republic of the Marshall Islands (100%)	47,000,000	47,000,000
Karadeniz Holdings Ltd. at Malta (100%)	464,622,400	397,622,400
Karpowershipyard Rauf Bey Company Ltd. at Republic of the Marshall Islands (100%)	29,000,000	29,000,000
Karadeniz Powership Zeynep Sultan Company Ltd. at Isle of Man (100%)	26,350,000	26,350,000
Karpower International DMCC at Dubai (100%)	19,932,753	1,000,000
Karmarine Karadeniz Denizcilik ve Ticaret A.S. at Turkey (100%)	18,885,191	20,735,191
Karadeniz Powership Yurdanur Sultan Company Ltd. at Republic of the Marshall Islands (100%)	17,000,000	10,000
Powership Operation DMCC at Dubai (100%)	15,000,000	1,000,000
Karadeniz Powership Yasin Bey Company Ltd. at Republic of the Marshall Islands (100%)	14,000,000	14,000,000
Karpowership Iraq Company Ltd. at Republic of the Marshall Islands (100%)	10,000,000	10,000,000
Karadeniz Powership Gokhan Bey Company Ltd. at Republic of the Marshall Islands (100%)	9,000,000	9,000,000
PT Karpowership Indonesia at Indonesia (95%)	950,000	950,000
Karpowership Ghana Company Ltd. at Ghana (100%)	500,000	500,000
Karpowership Mozambique Company Limitada at Republic of the Marshall Islands (100%)	99,500	99,500
Karpowership Namibia Company Ltd. at Namibia (100%)	10,803	10,803
Karpower Ghana Finance Services B.V. at Netherlands (100%)	10,000	10,000
Karadeniz Powership Suheyla Sultan Company Ltd. at Republic of the Marshall Islands (100%)	10,000	10,000
Karadeniz Powership Esra Sultan Company Ltd. at Republic of the Marshall Islands (100%)	10,000	10,000
Karadeniz Powership Mozambique Company Ltd. at Republic of the Marshall Islands (100%)	10,000	10,000
Karpower Indonesia Finance Services B.V. at The Netherlands (100%)	10,000	10,000
Karpowership Latam Company Ltd. at England and Wales (100%)	1	1
Karpowership UK Ltd. at England and Wales (100%)	1	1,960,707
	<u>817,400,649</u>	<u>559,288,602</u>

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	11/30/2019	11/30/2018
	\$	\$
Receivables from group companies		
Karadeniz Powership Lebanon Company Ltd.	108,502,837	-
Karadeniz Powership Ibrahim Bey Company Ltd.	98,389,807	-
Karpowershipyard Rauf Bey Company Ltd.	52,247,226	-
Karadeniz Powership Ebru Sultan Company Ltd.	48,798,424	48,767,168
Karadeniz Powership Koray Bey Company Ltd.	28,519,650	35,647,689
Karmol LNG Company Ltd.	22,686,731	-
Karadeniz Powership Kaya Bey Company Ltd.	19,013,100	23,765,126
Karadeniz Powership Ela Sultan Company Ltd.	-	24,880,168
Karadeniz Powership Orka Sultan Company Ltd.	221,057,621	-
	<u>599,215,396</u>	<u>133,060,151</u>

The total nominal amount of the loans amounts per November 30, 2019 \$ 615,061,731 (30 November 2018: \$ 135,263,159). Of the total amount of the loans an amount of \$ 479,495,232 (30 November 2018: \$ 81,333,328) has a remaining duration of longer than one year and an amount of \$ 27,448,643 (30 November 2018 \$ 16,666,672) has a remaining duration of longer than 5 years. The mortgages has been duly registered against the ships "Karadeniz Powership Orka Sultan", "Karadeniz Powership Lebanon", "Karadeniz Powership Ibrahim Bey", "Karadeniz Powership Ebru Sultan", "Karadeniz Powership Koray Bey" and "Karadeniz Powership Kaya Bey".

Per 30 November 2019 the capitalised charged expenses and fees for the loan amounts \$ 15,846,337 (30 November 2018: \$ 2,203,008), an amount of \$ 10,890,630 (30 November 2018: \$ 1,229,488) has a remaining duration of longer than 1 year and an amount of \$ 102,838 (30 November 2018 \$ 280,165) has a remaining duration of longer than 5 years.

The total outstanding amount of the loans and charged capital expenses with a remaining duration shorter than one year amounts \$ 103,264,987.

On all the loans risk premium and handling fees of 0.207% per annum has been calculated.

Karadeniz Powership Ela Sultan Company Ltd.

The loan to Karadeniz Powership Ela Sultan Company Ltd. was fully repaid on 5 April 2019.

Karadeniz Powership Kaya Bey Company Ltd.

On 23 October 2018 the Company has lended a loan to Karadeniz Powership Kaya Company Ltd (nominal amount of \$ 24,000,000). The maturity date is 5 years from drawdown date. The interest rate is 3m LIBOR + 5.75% per annum. The principal amount is payable with quarterly equal instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments commencing 3 months after the drawdown date.

Karadeniz Powership Lebanon Company Ltd.

On 19 September 2019 the Company has lended a loan to Karadeniz Powership Lebanon Company Ltd. (nominal amount of \$ 125,000,000). The maturity date is 2 years from drawdown date. The interest rate is 3m LIBOR + 6.5% per annum. The principal amount is payable with per half year instalments commencing 3 months after the drawdown date. The interest is payable with per half year instalments commencing 3 months after the drawdown date. The charged expenses for the loan (\$3,729,159) are capitalized and amortised during the duration of the loan.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

Karadeniz Powership Koray Bey Company Ltd.

On 23 October 2018 the Company has lent a loan to Karadeniz Powership Koray Bey Company Ltd. (nominal amount of \$ 36,000,000). The maturity date is 5 years from drawdown date. The interest rate is 3m LIBOR + 5.75% per annum. The principal amount is payable with quarterly equal instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments commencing 3 months after the drawdown date.

Karmol LNG Company Ltd.

On 18 December 2018 the Company has lent a loan to Karmol LNG Company Ltd. (nominal amount of \$ 49,000,000). Per November 30, 2019 the withdrawn amount amounts \$ 22,310,700. The maturity date is 10 years from the drawdown date. The interest rate is 3m LIBOR + 1% per annum and the interest is added to the principle amount of the loan. The loan shall be repaid in full 10 years from the drawdown date.

Karadeniz Powership Ibrahim Bey Company Ltd.

On 10 December 2018 and 8 April 2019 the Company has lent a loan to Karadeniz Powership Ibrahim Bey Company Ltd. (nominal amount of \$ 101,640,000). The maturity date is 5 years from drawdown date. The interest rate is 3m LIBOR + 8.5% per annum. The principal amount is payable with per half year instalments commencing 2 years after drawdown date. The interest is payable with per half year instalments commencing 2 years after drawdown date. The charged expenses for the loan (\$4,048,131) are capitalized and amortised during the duration of the loan.

Karadeniz Powership Orka Sultan Company Ltd.

On 10 December 2018 and 8 April 2019 the Company has lent a loan to Karadeniz Powership Orka Sultan Company Ltd. (nominal amount of \$ 228,360,000). The maturity date is 5 years from drawdown date. The interest rate is 3m LIBOR + 8.5% per annum. The principal amount is payable with per half year instalments commencing 2 years after drawdown date. The interest is payable with per half year instalments commencing 2 years after drawdown date. The charged expenses for the loan (\$9,095,149) are capitalized and amortised during the duration of the loan.

Karpowershipyard Rauf Bey Company Ltd.

On 4 April 2019 the Company has lent a loan to Karpowershipyard Rauf Bey Company Ltd. (nominal amount of \$ 60,000,000). The maturity date is 4 years from drawdown date. The interest rate is 3m LIBOR + 6.1% per annum. The principal amount is payable with quarterly instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments commencing 3 months after the drawdown date. The charged expenses for the loan (\$302,500) are capitalized and amortised during the duration of the loan.

Karadeniz Powership Ebru Sultan Company Ltd.

On 21 May 2018 the Company has lent a loan to Karadeniz Powership Ebru Sultan Company Ltd. (nominal amount of \$ 50,000,000). The maturity date is 7 years from drawdown date. The interest rate is 3m LIBOR + 5.25% per annum. The principal amount is payable with quarterly equal instalments commencing 24 months after the drawdown date. The interest is payable with quarterly instalments commencing 3 months after the drawdown date. The charged expenses for the loan (\$ 168,892) are capitalised and amortised during the duration of the loan.

Other participating interests

Karmol LNG Company Ltd. at Malta (50%)

11/30/2019	11/30/2018
\$	\$
7,500,000	700

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

3. Receivables, prepayments and accrued income

	11/30/2019	11/30/2018
	\$	\$
Receivables from group companies		
Karadeniz Powership Orka Sultan Company Ltd. interest long-term receivable	12,351,640	-
Karadeniz Powership Ibrahim Bey Company Ltd. interest long-term receivable	5,497,551	-
Karpowershipyard Rauf Bey Company Ltd. interest long-term receivable	768,619	-
Karadeniz Holdings Ltd.	424,111	113,111
Karadeniz Powership Kora Bey Company Ltd. interest long-term receivable	301,634	318,966
Karadeniz Powership Kaya Bey Company Ltd. interest long-term receivable	201,089	212,644
Karpowership Ebru Sultan Company Ltd. interest long-term receivable	198,733	160,803
Karmol LNG Company Ltd. interest long-term receivable	137,832	-
Karpowership Latam Limited	107,093	276,030
Karadeniz Powership Mozambique Company Ltd.	21,190	21,190
Karpowership Namibia Company Ltd.	100	100
Karpowership UK Ltd.	-	1,218,317
Mozambique FSRU Company Limited	-	650
Karpower International DMCC	-	4,777
Karpower Ghana Finance Services B.V.	-	62,273
Karadeniz Powership Ela Sultan Company Ltd.	-	5,131
Karpower Indonesia Finance Services B.V.	-	44,080
Karadeniz Powership Lebanon Company Ltd.	-	5,000
Karpowership Ela Sultan Company Ltd. interest long-term receivable	-	160,943
	<u>20,009,592</u>	<u>2,604,015</u>

The receivables related to the long-term receivables includes the calculated risk premium and handling fees 2019. For disclosure of agreements in respect of repayment and securities of this receivables we refer to note 2.

The other receivables bear no interest. No agreements have been made in respect of repayment and securities. The cumulative impairment amounts per November 30, 2019 \$ 1,927,004 (November 30, 2018: nil). For disclosure of the impairment of receivables from group companies we refer to note 11.

Taxes and social securities

Corporate income tax	24,676	24,676
Value added tax	2,673	12,497
	<u>27,349</u>	<u>37,173</u>

Other receivables, prepayments and accrued income

Security deposit rent office	26,750	26,750
Managementfee group companies	12,000	39,000
Rent receivable group companies	7,721	42,469
Prepaid expenses	1,134	6,325
Receivable relating to the transfer of shares	-	700
Accrued income group companies	-	286,083
	<u>47,605</u>	<u>401,327</u>

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

The current receivables do not include entries with a duration of more than one year.

	11/30/2019	11/30/2018
	\$	\$
4. Cash and cash equivalents		
Deposit YapiKredi Bank	15,585,000	-
Mauritius Commercial Bank USD account	2,548,433	2,822,071
YapiKredi Bank USD account	1,049,159	16,492,551
Money in transit	120,000	-
Credit Europe Bank USD account	53,010	22,865
GarantiBank EUR account	25,787	89,235
Bankmed USD account	13,288	6,535
YapiKredi Bank EUR account	8,225	13,784
YapiKredi Bank GBP account	7,245	192
GarantiBank USD account	6,870	50,000
Bank Audi USD account	5,540	5,628
YapiKredi Bank TRL account	3,529	-
Credit Europe Bank EUR account	819	206
ICBC Turkey Bank TRL account	6	-
	<u>19,426,911</u>	<u>19,503,067</u>

The cash and cash equivalents are at free disposal of the Company. The deposit has a remaining duration of shorter than one year.

5. Equity

Issued share capital

The company's authorised and issued capital consist of 1,338,892 ordinary shares issued with a nominal value of USD 624.84 each (2017/2018: USD 646.73). The Company does not have any preferred stock. During 2018/2019 new shares has been issued. Differences between the paid amount by the shareholder and nominal amount of the shares has in accordance with the deeds added to the share premium reserve.

	Ordinary shares
	\$
Carrying amount as of December 1, 2018	573,165,825
Issue new shares - paid	272,835,553
Due to adjustment nominal value of the shares	-20,010,881
Issue new shares - conversion share premium reserve	<u>10,599,834</u>
Carrying amount as of November 30, 2019	<u>836,590,331</u>
Statutory share capital	836,590,331
Number of shares issued	1,338,892
Par value	624.84

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020.

	2018/2019	2017/2018
	\$	\$
Share premium reserve		
Carrying amount as of December 1	10,693,066	10,691,080
Difference nominal amount issued shares and paid amount shareholder	1,446	1,986
Conversion into share capital	-10,599,834	-
Carrying amount as of November 30	<u>94,678</u>	<u>10,693,066</u>
 Other reserves		
Carrying amount as of December 1	-354,947,363	-113,783,788
Allocation of previous financial year net result	324,430,233	96,604,835
Distributed interim dividend	-279,837,002	-337,768,410
Due to adjustment nominal value of the shares	20,010,881	-
Carrying amount as of November 30	<u>-290,343,251</u>	<u>-354,947,363</u>
 Undistributed result		
Carrying amount as of December 1	324,430,234	96,604,835
Unappropriated profit	273,784,089	324,430,234
Appropriation result prior year	-324,430,233	-96,604,835
Carrying amount as of November 30	<u>273,784,090</u>	<u>324,430,234</u>

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For identification purposes only.
Related to auditor's report
dated September 9, 2020

6. Non-current liabilities

	11/30/2019	11/30/2018
	\$	\$
Debt to credit institutions		
Loan Credit Europe Bank	42,773,836	9,199,776
Loan Mauritius Commercial Bank	77,528,690	96,179,983
Loan Wilmington Trust	358,411,929	-
	<u>478,714,455</u>	<u>105,379,759</u>

The company has received several loans from Credit Europe Bank, the Mauritius Commercial Bank and Wilmington Trust. Group companies of the Company that have used the funds have provided mortgages on the ships they own as a security.

Of the total amount of the loans, per November 30, 2019 \$ 614,449,578 (November 30, 2018: \$ 147,674,923) an amount of \$ 484,982,623 (November 30, 2018: \$ 92,663,858) has a remaining duration of longer than 1 year and an amount of \$ 4,761,912 (November 30, 2018: \$ 14,285,720) has a remaining duration of longer than 5 years. A mortgage has been duly registered against several ships owned by the group companies. Also several financial covenants has agreed related to the Debt Service Cover Ratio, Leverage Ratio and the Loan to Value Ratio. Also guarantees have been given by related parties and negative pledges has been agreed with pari passu clauses. Also Karpower International B.V. has given a dividend pledge.

Per November 30, 2019 the capitalised expenses for the loan amounts \$ 15,906,502 (November 30, 2018: \$ 2,286,660), an amount of \$ 10,927,244 (November 30, 2018: \$ 1,289,654) has a remaining duration of longer than 1 year and an amount of \$ 102,838 (November 30, 2018: \$ 280,165) has a remaining duration of longer than 5 years.

	Loan Credit Europe Bank	Loan Mauritius Commercial Bank	Loan Wilmington Trust	Total
	\$	\$	\$	\$
Carrying amount as of December 1, 2018	37,208,280	108,179,983	-	145,388,263
Funds withdrawn	60,000,000	-	455,000,000	515,000,000
Capitalised expenses	-302,500	-168,892	-16,872,439	-17,343,831
Amortizing Capitalised expenses	456,204	320,083	2,947,703	3,723,990
Repayment	-36,225,345	-12,000,000	-	-48,225,345
Carrying amount as of November 30, 2019	<u>61,136,639</u>	<u>96,331,174</u>	<u>441,075,264</u>	<u>598,543,077</u>
Repayment obligations < 12 months	<u>-18,362,803</u>	<u>-18,802,484</u>	<u>-82,663,335</u>	<u>-119,828,622</u>
Long-term part as of November 30, 2019	<u>42,773,836</u>	<u>77,528,690</u>	<u>358,411,929</u>	<u>478,714,455</u>

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	2018/2019	2017/2018
	\$	\$
<i>Loan Credit Europe Bank</i>		
Carrying amount as of December 1	37,208,280	54,395,035
Funds withdrawn	60,000,000	-
Capitalised expenses related to loan Credit Europe Bank	-302,500	-
Amortizing Capitalised expenses related to loan Credit Europe Bank	456,204	424,036
Repayment	-36,225,345	-17,610,791
Carrying amount as of November 30	61,136,639	37,208,280
Repayment obligations < 12 months	-18,362,803	-28,008,504
Long-term part as at November 30	42,773,836	9,199,776

On 13 May 2015 the Company received a loan (nominal amount of \$ 12,000,000) from Credit Europe Bank. The maturity date is 7 years starting from drawdown date. The interest rate is 3m LIBOR + 6.30% per annum. The principal amount is payable with quarterly equal instalments commencing 24 months after the drawdown date. The interest is payable with quarterly instalments.

On 23 June 2017 the Company received a loan (nominal amount of \$ 5,000,000) from Credit Europe Bank. The maturity date is 5 years starting from drawdown date. The interest rate is 3m LIBOR + 6.75% per annum. The principal amount is payable with quarterly equal instalments commencing 12 months after the drawdown date. The interest is payable with quarterly instalments.

On 15 November 2017 the Company received a loan (nominal amount of \$ 40,000,000) from Credit Europe Bank. The maturity date is 2 years starting from drawdown date. The interest rate is 3m LIBOR + 6.30% per annum. The principal amount is payable with monthly equal instalments commencing 6 months after the drawdown date. The interest is payable with quarterly instalments and monthly commencing 6 months after the drawdown date.

On 4 April 2019 the Company received a loan (nominal amount of \$ 60,000,000) from Credit Europe Bank. The maturity date is 4 years starting from drawdown date. The interest rate is 3m LIBOR + 6.10% per annum. The principal amount is payable with quarterly instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments commencing 3 months after the drawdown date. The expenses for the loan (\$ 302,500) are capitalized and amortised during the duration of the loan.

Per November 30, 2019 the balance of the capitalised expenses for these loans amounts \$ 312,940 (November 30, 2018: \$ 466,643). For details of the securities we refer to the general paragraph of this note.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020.

	2018/2019	2017/2018
	\$	\$
<i>Loan Mauritius Commercial Bank</i>		
Carrying amount as of December 1	108,179,983	-
Funds withdrawn	-	110,000,000
Capitalised expenses related to loan Mauritius Commercial Bank	-168,892	-1,933,525
Amortizing Capitalised expenses related to loan Mauritius Commercial Bank	320,083	113,508
Repayment	-12,000,000	-
Carrying amount as of November 30	96,331,174	108,179,983
Repayment obligations < 12 months	-18,802,484	-12,000,000
Long-term part as at November 30	77,528,690	96,179,983

On 14 May 2018 the Company received a loan (nominal amount of \$ 50,000,000) from the Mauritius Commercial Bank Ltd. The maturity date is 7 years starting from drawdown date. The interest rate is 3m LIBOR + 5.25% per annum. The principal amount is payable with quarterly equal instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments. The expenses for the loan (\$ 168,892) are capitalised and amortised during the duration of the loan.

On 16 October 2018 the Company received a loan (nominal amount of \$ 60,000,000) from the Mauritius Commercial Bank Ltd. The maturity date is 5 years starting from drawdown date. The interest rate is 3m LIBOR + 5.75% per annum. The principal amount is payable with quarterly equal instalments commencing 3 months after the drawdown date. The interest is payable with quarterly instalments.

Per November 30, 2019 the balance of the capitalised expenses for these loans amounts \$ 1,668,827 (November 30, 2018 \$ 1,820,017). For details of the securities we refer to the general paragraph of this note.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	<u>2018/2019</u>	<u>2017/2018</u>
	\$	\$
<i>Loan Wilmington Trust</i>		
Carrying amount as of December 1	-	-
Funds withdrawn	455,000,000	-
Capitalised expenses related to loan Wilmington Trust	-16,872,439	-
Amortizing Capitalised expenses related to loan Wilmington Trust	2,947,703	-
Carrying amount as of November 30	441,075,264	-
Repayment obligations next financial year	-82,663,335	-
Long-term part as at November 30	358,411,929	-

On 10 December 2018 and 8 April 2019 the Company received a loan (nominal amount of \$ 330,000,000) from Wilmington Trust. The maturity date is 5 years starting from drawdown date. The interest rate is 3m LIBOR + 8.5% per annum. The principle amount is payable with per half year instalments commencing 2 years after drawdown date. The interest is payable per half year instalments commencing 2 years after drawdown date. The expenses for the loan (13,143,280) are capitalized and amortised during the duration of the loan.

On 18 September 2019 the Company received a loan (nominal amount of \$ 125,000,000) from Wilmington Trust. The maturity date is 2 years starting from drawdown date. The interest rate is 3m LIBOR + 6.5% per annum. The principle amount is payable with per half year instalments commencing 3 months after drawdown date. The interest is payable per half year instalments commencing 3 months after drawdown date. The expenses for the loan (3,729,159) are capitalized and amortised during the duration of the loan.

Per November 30, 2019 the balance of the capitalized expenses for these loans amounts \$ 13,924,736. For details of the securities we refer to the general paragraph of this note.

The loans are arranged by Wilmington Trust. The financing of these loans has been done by a consortium of several Banks.

	<u>11/30/2019</u>	<u>11/30/2018</u>
	\$	\$
Loans from group companies		
Capital contributions payable to participations	40,806	4,341,666

The payable relating to capital contributions bear no interest. No agreements have been made in respect of repayment and securities.

7. Current liabilities

Short term part long-term debt to credit institutions

Financing	119,828,622	40,008,504
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The repayment obligation relates to the loans of the Credit Europe Bank, the Mauritius Commercial Bank and Wilmington Trust and includes the capitalised expenses with a remaining duration of shorter than one year. For further disclosure of these payable and loans reference is made to note 6.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	11/30/2019	11/30/2018
	\$	\$
Loans from participations in group companies		
Capital contributions payable to participations	14,000,000	-
Karadeniz Powership Deniz Sultan Company Ltd.	5,896,000	18,000
Karpowership Iraq Company Ltd.	1,300,000	-
Karadeniz Powership Ebru Sultan Company Ltd.	1,003,087	973,938
Karadeniz Powership Koray Bey Company Ltd.	909,786	987,693
Karadeniz Powership Kaya Bey Company Ltd.	705,865	814,962
Karadeniz Powership Lebanon Company Ltd.	186,775	-
Karpowership Cyprus Company Ltd.	-	4,330
	<u>24,001,513</u>	<u>2,798,923</u>

The company has received several loans from group companies.

The other payables bear no interest. No agreements have been made in respect of repayment and securities. The payable Karadeniz Powership Lebanon Company relates to interest long-term receivable received in advance per November 30, 2019.

Amounts due to participants and to companies in which participation takes place

Karkey Karadeniz Elektrik Üretim A.S.	-	7,500,000
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Taxes and social securities

Pay-roll tax	19,334	-
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Other liabilities, accruals and deferred income

Accrued interest loan debt to credit institutions	20,724,431	818,822
Tax advisory costs payable	39,427	-
Audit costs	34,000	34,000
Gross salary former employee	33,333	-
Holiday bonus	20,450	13,101
Accrued general expenses	12,500	12,500
Accrued purchase price acquisition subsidiaries	-	379,659
	<u>20,864,141</u>	<u>1,258,082</u>

CONTINGENT ASSETS AND LIABILITIES

Long-term financial obligations

Parent Company Guarantees

The Company has provided guarantees to several external parties for its group companies for an amount of \$ 1,127.6 million (2018: \$ 1,240.6 million) mainly to guarantee credit risk for their operational purchases (\$ 101.5 million) and loans (\$ 1,026.1 million). The company has also provided tender bond guarantees to several external parties for its subsidiaries for an amount of \$ nil (2018: \$ nil). These guarantees only apply in the case that the group companies would default.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

Lease

The company has liabilities arising from rental \$ 100,000 per year until December 31, 2019 and operational lease commitments for a car of \$ 12,267 per year until August 31, 2020.
Per January 1, 2020 a new rental agreement is in place with a liability of \$ 42,641 per year until December 31, 2023.

Insurance agreements

The company has liabilities arising from insurance agreements. The liabilities within one year amounts \$ 3,683,600 (2018: \$ 3,665,833), the liabilities between one and five years amounts \$ 2,160,042 (2018: \$ 5,835,937) and the liabilities after five years amounts nil.

5 NOTES TO THE PROFIT AND LOSS ACCOUNT 2018/2019

	2018/2019	2017/2018
	\$	\$
8. Other operating income		
Other operating income	72,000	84,510
Other operating income charged insurance expenses to related companies	3,646,320	4,247,376
Other operating income insurance expenses	-3,472,686	-4,045,120
	<u>245,634</u>	<u>286,766</u>
9. Employee expenses		
Wages and salaries	555,687	382,805
Social security charges	48,026	34,352
	<u>603,713</u>	<u>417,157</u>
<i>Wages and salaries</i>		
Gross wages	485,521	357,489
Gross salary former employee ("Transitie")	33,333	-
Movement of holiday bonus liability	36,833	25,316
	<u>555,687</u>	<u>382,805</u>
<i>Social security charges</i>		
Social security charge	<u>48,026</u>	<u>34,352</u>
The Company has no pension plan for their employees.		
Staff		
During 2018/2019, 4 employees were employed on a full-time basis (2017/2018: 3).		
10. Depreciation		
<i>Depreciation of tangible fixed assets</i>		
Other tangible fixed assets	<u>10,338</u>	<u>10,338</u>
11. Impairment of current assets		
Impairment receivable Karpowership UK Ltd.	1,593,567	-
Impairment receivable Karpowership Latam Limited	333,437	-
	<u>1,927,004</u>	<u>-</u>

The impairment relates to the short term receivables group companies Karpowership UK Ltd. and Karpowership Latam Limited. The outstanding receivable KarpowerShip UK Ltd. has been valued at nil per November 30, 2019 and is fully impaired per November 30, 2019. The outstanding receivable Karpowership Latam Limited has been valued at \$ 107,093 per November 30, 2019 and is impaired for an amount of \$ 333,437 per November 30, 2019.

The decrease in value of the receivables Karpowership UK Ltd and Karpowership Latam Limited is caused by the losses of those companies and absence of profitable projects in the near future. Therefore the expectation is that these receivables will not being fully repaid by those companies.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

	2018/2019	2017/2018
	\$	\$
12. Other operating expenses		
Other labour costs	3,287	8,202
Accommodation expenses	51,237	53,368
Office expenses	16,688	21,527
Car expenses	15,523	12,206
Selling and distribution expenses	481,001	235,998
General expenses	526,982	458,160
	<u>1,094,718</u>	<u>789,461</u>
<i>Other labour costs</i>		
Travelling expenses	768	768
Other labour costs	2,519	7,434
	<u>3,287</u>	<u>8,202</u>
<i>Accommodation expenses</i>		
Rent buildings	94,018	92,203
Other accommodation expenses	3,549	3,634
Allocated rent	-46,330	-42,469
	<u>51,237</u>	<u>53,368</u>
<i>Office expenses</i>		
Automation costs	1,271	931
Telephone	15,417	20,596
	<u>16,688</u>	<u>21,527</u>
<i>Car expenses</i>		
Fuels	2,878	945
Lease costs	12,645	11,261
	<u>15,523</u>	<u>12,206</u>
<i>Selling and distribution expenses</i>		
Travelling expenses	452,851	125,934
Other cost of sales	28,150	110,064
	<u>481,001</u>	<u>235,998</u>
<i>General expenses</i>		
Accounting costs	103,370	119,121
Consultancy fees	105,130	133,493
Legal charges	267,936	113,493
Notarial charges	25,022	13,402
Write-off other receivables	-	11,467
VAT not recovered	59,406	52,637
Release accruals former years	-37,984	-
Other general expenses	4,102	14,547
	<u>526,982</u>	<u>458,160</u>

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020.

Financial income and expenses

	2018/2019	2017/2018
	\$	\$
<i>13. Interest and similar income</i>		
Interest Karadeniz Powership Asia Company Ltd. previous years	8,905	-
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Ela Sultan Company Ltd.	382,990	412,894
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Ebru Sultan Company Ltd.	200,148	100,693
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Kaya Bey Company Ltd.	47,974	5,126
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Koray Bey Company Ltd.	71,961	7,689
Interest income Karadeniz Powership Ibrahim Bey Company Ltd.	10,858,599	-
Interest income Karadeniz Powership Orka Sultan Company Ltd.	24,396,592	-
Interest income Karmol LNG Company Ltd.	513,862	-
Interest income Karpowershipyard Rauf Bey Company Ltd.	3,295,723	-
Interest income Karadeniz Powership Lebanon Company Ltd.	2,272,830	-
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Ibrahim Bey Company Ltd.	797,938	-
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Orka Sultan Company Ltd.	1,792,770	-
Amortizing capitalised charged expenses long-term receivable Karpowershipyard Rauf Bey Company Ltd.	49,726	-
Amortizing capitalised charged expenses long-term receivable Karadeniz Powership Lebanon Company Ltd.	356,996	-
Interest income Karadeniz Powership Ela Sultan Company Ltd.	637,878	3,029,863
Interest income Karadeniz Powership Ebru Sultan Company Ltd.	4,064,756	2,095,742
Interest income Karadeniz Powership Kaya Bey Company Ltd.	1,854,818	212,644
Interest income Karadeniz Powership Koray Bey Company Ltd.	2,782,226	318,966
Charged tender bond guarantees	198,464	-
Interest bank	-	2,435
	<u>54,585,156</u>	<u>6,186,052</u>
<i>14. Interest and similar expenses</i>		
Interest loan Credit Europe Bank	-4,834,873	-4,177,237
Banking fees and provision	-21,222	-9,776
Interest loan Wilmington Trust	-36,832,013	-
Amortizing capitalised expenses long-term loan Credit Europe Bank	-456,204	-424,036
Amortizing capitalised expenses long-term loan Mauritius Commercial Bank	-320,083	-113,508
Amortizing capitalised expenses long-term loan Wilmington Trust	-2,947,703	-
Interest loan Mauritius Commercial Bank	-8,483,012	-2,558,725
Interest loan Karadeniz Powership Aysegul Sultan Company Ltd.	-	-30,568
Interest loan Karpowership Lebanon Company Ltd.	-	-98,734
Exchange difference	-343,648	-608,653
Tender bond guarantee fees	-198,464	-534,367
Interest Tax Authorities	-	-4,420
Pan American - retainer fees raising loans	-	-65,604
	<u>-54,437,222</u>	<u>-8,625,628</u>

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

15. Share in result of participating interests

	2018/2019	2017/2018
	\$	\$
Impairment of Karmarine Karadeniz Denizcilik ve Ticaret A.S.	-1,850,000	-10,800,000
Impairment of Karpowership UK Ltd.	-1,960,706	-
Dividend Income of Karpowership Iraq Company Ltd.	105,000,000	67,200,000
Dividend income of Karadeniz Holdings Ltd.	175,337,000	271,400,000
Dividend income of Powership Operation DMCC	500,000	-
	<u>277,026,294</u>	<u>327,800,000</u>

The impairment relates to the participation Karmarine Karadeniz Denizcilik ve Ticaret A.S. and Karpowership UK Ltd (2017/2018: Karmarine Karadeniz Denizcilik ve Ticaret A.S.).

The net equity of the investment Karmarine Karadeniz Denizcilik ve Ticaret A.S in USD has decreased below the acquisition price, caused by the structural decrease in value of the Turkish Lira. For this reason the participation is impaired per November 30, 2018. The impairment per November 30, 2019 has been reviewed and updated.

The net equity of the investment Karpowership UK Ltd. in USD has decreased below the acquisition price, caused by the structural losses and absence of expected profitable projects in the near future.

6 OTHER DISCLOSURES

Post balance sheet events

On December 20, 2019 there are issued 24,006 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 14,999,856.

On January 31, 2020 there are issued 12,803 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 7,999,798.

On April 14, 2020 there are issued 160,841 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 100,499,536.

On June 8, 2020 there are issued 8,002 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 4,999,952.

On July 15, 2020 there are issued 80,020 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 49,999,251.

On August 11, 2020 there are issued 64,016 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 39,999,617.

On August 18, 2020 there are issued 40,010 additional shares with a nominal value of USD 624.8378 per share, total amount of USD 24,999,760.

The actual number of ordinary shares consist of 1,728,590 shares.

In 2019/2020 the company has received dividend from participations for a total amount of USD 185,800,000. Also the company has paid dividend to the shareholder for a total amount of USD 216,403,240.

On December 5, 2019 Karpower International B.V. has sold 25% of the shares of Karmol Powership Company Ltd to Mitsui O.S.K. Lines Ltd for a total amount of USD 67 Mio.

In 2019/2020 the facility agreement of \$ 60 million with Credit Europe Bank has been converted into an EUR loan. The received amount of the loan has been lent to the group company Karpowershipyard Rauf Bey Company Ltd.

The outbreak of the Corona Virus in 2020 has no negative impact on the activities of Karpower International B.V. The amounts received from dividend, interest and other charged expenses remains at a stable level. One reason being the fact that the power ships of the Karadeniz group are supplying mostly to residential areas, for example. This supply is important to the countries concerned, therefore any amounts due are being paid to the Karadeniz Group within the (usual) payment terms. As such amounts for interest and dividend payments are still available to Karpower International B.V. The Corona Virus has no material impact but there is uncertainty related to the development of the future results of the Company.

Appropriation of the profit for 2018/2019

The board of directors proposes to add the profit for 2018/2019 of \$ 273,784,089 for the 2019/2020 financial year to the other reserves.

Awaiting the approval by the General Meeting, this proposition has not been processed in the annual account and is, therefore, included in the undistributed profit entry.

Related party transactions

Standard market transactions

In 2018/2019 several transactions, at arms length, has taken place with related parties. The main transactions relate to the investment/ increase capital in several participations (note 2), granted loans (note 2) and the charged insurance expenses (note 8).

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

Signing of the financial statements

Adoption of the financial statements

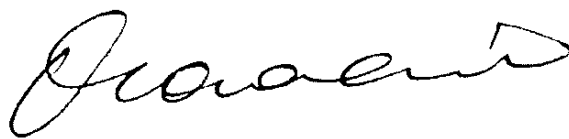
The financial statements are created and adopted by the management. The financial statements will be approved by the General Meeting in 2 months after signing date.

Amsterdam, September 9, 2020



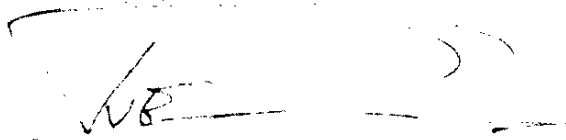
Karpower International B.V.

O.R. Karadeniz

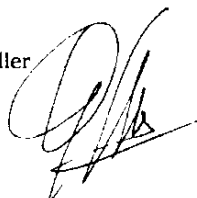


O.M. Karadeniz

T.G. van Essen



G.B. Müller



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Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated September 9, 2020

OTHER INFORMATION

1 Provisions of the Articles of Association relating to profit appropriation

Based on article 26 of the statutes the result is at disposal of the General Meeting.

1. The general meeting is authorised to appropriate the profits that follow from adoption of the annual accounts or to determine how a deficit will be accounted for as well as to determine interim distributions from the profits or distributions from the reserves, provided that the company's equity exceeds the total amount of the reserves to be maintained by virtue of the law.
2. A resolution for the distribution of profits or reserves is subject to the approval of the management board. The management board shall only withhold its approval if it is aware or could reasonably anticipate that following the distribution the company will be unable to continue to pay its payable debts.
3. Distributions shall be payable from the day determined by general meeting
4. The general meeting may resolve that distributions from profits or reserves shall be made in whole or in part in a from other than cash.
5. The shares held by the company in its capital are not included in the calculation for the profit distribution.
6. For the computation of the amount to be distributed on each share, only the amount of the obligatory payments on the par value of the shares shall be taken into account.
7. A claim of shareholders for payment of dividend shall be barred after five (5) years have elapsed.

2 Independent auditor's report

Independent auditor's report

To the shareholders of Karpower International B.V.

REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2019 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements for the year ended November 30, 2019 of Karpower International B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Karpower International B.V. as at November 30, 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at November 30, 2019.
2. The profit and loss account for the year ended November 30, 2019.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Karpower International B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the impact of COVID-19 virus

The coronavirus also impacts Karpower International B.V. Management disclosed the current impact and her plans to deal with these events or circumstances in page 6 of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance and health of Karpower International B.V. Our opinion is not modified in respect of this matter.



REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report, the financial statements contain other information that consists of:

- The section other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. *The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.*

Management is responsible for the preparation of the other information, including the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines as necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Deloitte.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding 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 company'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 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 company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amsterdam, September 9, 2020

Deloitte Accountants B.V.

Initials for identification purposes:

J. Penón

**KARPOWER INTERNATIONAL B.V.
AND ITS SUBSIDIARIES**

**SPECIAL PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2019 AND
INDEPENDENT AUDITOR'S REPORT**



DR. Başak Z. Önerimci
Serbest Muhasebeci,
Mali Müşavirlik,
A.Ş. Maslak 601
Kat: 6
Etiler Business Center
Maslak Mahallesi No: 1
Maslak, Sarıyer 34385
İstanbul, Türkiye

Tel: +90 (212) 366 6000
Fax: +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Tic. Sic. No: 30409

INDEPENDENT AUDITOR'S REPORT

**To the Board of the Directors of
Karpower International B.V.**

Report on the Audit of the Special Purpose Consolidated Financial Statements

Opinion

We have audited the special purpose consolidated financial statements of Karpower International B.V. ("the Company") and its subsidiaries (together "the Group"), which comprise the special purpose consolidated statement of financial position as at 31 December 2019, and the special purpose consolidated statement of profit or loss and other comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated statement of cash flows for the year then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the special purpose consolidated financial position of the Group as at 31 December 2019, and its special purpose consolidated financial performance and its special purpose consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's special purpose consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the special purpose 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.

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Auditor's Responsibilities for the Audit of the Special purpose consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 special purpose consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose consolidated financial statements, including the disclosures, and whether the special purpose 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 special purpose 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.

DRT BAĞIMSIZ DENETİM VE SERBEST MÜHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 5 June 2020

CONTENTS	Page
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4-5
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS.....	7-58

KARPOWER INTERNATIONAL B.V.**SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

ASSETS	Notes	31 December 2019	31 December 2018
Current assets			
Cash and cash equivalents	6	172,197,903	219,315,058
Investments	16	87,554,543	2,530,975
Trade receivables	7	445,566,872	497,372,079
Due from related parties	22	65,492,074	18,038,868
Inventories	8	42,121,520	29,263,372
Prepaid expenses	9	39,046,789	51,869,751
Other current assets	10	111,951,848	109,742,433
Total current assets		963,931,549	928,132,536
Non-current assets			
Property, plant and equipment	11	3,105,183,580	2,766,548,186
Intangible assets		43,519	65,228
Investment on a joint venture	23	8,821,529	4,896,797
Prepaid expenses	9	16,444,557	19,836,150
Deferred tax assets	21	263,345	108,160
Other non-current assets	10	3,030,555	-
Total non-current assets		3,133,787,085	2,791,454,521
Total assets		4,097,718,634	3,719,587,057

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.**SPECIAL PURPOSE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

LIABILITIES	Notes	31 December 2019	31 December 2018
Current liabilities			
Short term borrowings	12	218,428,377	51,139,047
Short term portion of long term borrowings	12	488,934,685	306,967,359
Trade payables	7	149,688,838	413,071,897
Due to related parties	22	16,434,706	20,598,273
Deferred income	9	16,851,433	14,320,648
Current income tax liabilities	21	6,368,062	11,596,064
Other current liabilities	10	32,858,579	31,334,668
Total current liabilities		929,564,680	849,027,956
Non-current liabilities			
Long term borrowings	12	840,742,251	989,134,516
Deferred income	9	13,220,269	27,513,861
Provisions for employment termination benefits		2,303,095	1,587,645
Deferred tax liabilities	21	146,995	388,109
Total non-current liabilities		856,412,610	1,018,624,131
Total liabilities		1,785,977,290	1,867,652,087
EQUITY			
Share capital	15	851,685,010	571,348,010
Other comprehensive income and expense that will not be reclassified to profit or loss			
- Revaluation fund	15	793,926,405	639,029,368
- Actuarial (loss) / gain on employment termination benefits		(142,111)	26,920
Other comprehensive income and expense that may be reclassified to profit or loss			
- Currency translation reserve	2.1	(6,763,531)	(7,202,053)
Retained earnings		636,700,081	648,438,085
Equity attributable to equity holders of the parent		2,275,405,854	1,851,640,330
Non-controlling interest		36,335,490	294,640
Total equity		2,311,741,344	1,851,934,970
Total liabilities and equity		4,097,718,634	3,719,587,057

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	17	1,064,149,725	1,228,768,987
Cost of sales (-)	17	(566,141,568)	(760,074,656)
Gross profit		498,008,157	468,694,331
General administrative expenses (-)	18	(72,103,343)	(48,588,595)
Other operating income	19	56,706,265	51,969,238
Other operating expenses (-)	19	(72,406,983)	(46,161,807)
Share of loss of joint ventures	23	(274,420)	(2,502)
Operating profit		409,929,676	425,910,665
Financial income	20	2,476,965	4,369,112
Financial expenses (-)	20	(122,255,721)	(86,244,956)
Profit before taxes on income		290,150,920	344,034,821
Taxes on income			
Current tax expense	21	(27,781,465)	(35,345,160)
Deferred tax expense	21	84,934	(378,564)
Net profit for the year		262,454,389	308,311,097
Net profit for the year attributable to			
Equity holders of the parent		262,663,539	308,142,220
Non-controlling interest		(209,150)	168,877
		262,454,389	308,311,097
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on employment termination benefits		(169,031)	26,920
Change in fair value of property, plant and equipment	11	169,139,931	224,648,234
Items that may be reclassified to profit or loss			
Currency translation differences		438,522	(2,245,402)
Other comprehensive income		169,409,422	222,429,752
Total comprehensive income		431,863,811	530,740,849
Total comprehensive income attributable to			
Equity holders of the parent		432,072,961	530,571,972
Non-controlling interest		(209,150)	168,877
		431,863,811	530,740,849

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

	Share capital	Other comprehensive income and expense that will not be reclassified to profit or loss		Revaluation fund	Currency translation reserve		Retained earnings	Attributable to equity holders the parent		Non-controlling interest	Total equity
		Actuarial gains	Other comprehensive income and expense that may be reclassified to profit or loss		translation reserve	to profit or loss		equity holders the parent	controlling interest		
Balance at 1 January 2019	571,348,010	26,920		639,029,368	(7,202,053)		648,438,085	1,851,640,330	294,640	1,851,934,970	
Capital increase	280,337,000	-	-	-	-	-	-	280,337,000	-	280,337,000	
Effects of transactions involving entities under common control (Note 1) (*)	-	-	-	-	-	-	1,192,290	1,192,290	-	1,192,290	
Adjustment arising from change in ownership rates (**)	-	-	-	-	-	-	31,403,240	31,403,240	36,250,000	67,653,240	
Dividend distribution	-	-	-	-	-	-	(321,239,967)	(321,239,967)	-	(321,239,967)	
Transfer of depreciation of revalued powerships (Note 15)	-	-	-	(14,242,894)	-	-	14,242,894	-	-	-	
Total comprehensive income	-	(169,031)	-	169,139,931	438,522	-	262,663,539	432,072,961	(209,150)	431,863,811	
Balance at 31 December 2019	851,685,010	(142,111)		793,926,405	(6,763,531)		636,700,081	2,275,405,854	36,335,490	2,311,741,344	

(*) Karpowership Cyprus Company Limited had been consolidated in Karpower International B.V. previously. In the current period this company is transferred to Karkey Karadeniz Elektrik A.Ş. consolidation following the shares transfers. Accordingly, amounting of USD 1,192,290 recognised in retained earnings considering the effects realised between the entities under common control.

(**) On 20 December 2019 the Group sold %25 ordinary shares of its subsidiary, Karnol Powership Limited, to Mitsui O.S.K. Lines Ltd. Group with an amount of 67,653,240 USD. The difference between the consideration received and the net asset value of the related percent of shares of the subsidiary recognized at retained earnings considering changes in ownership rates that do not result in control ceases in the subsidiary.

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD")) unless otherwise indicated.)

	Share capital	Actuarial gains	Revaluation fund	Other comprehensive income and expense that will not be reclassified to profit or loss	Other comprehensive income and expense that may be reclassified to profit or loss		Equity		
							Attributable to equity holders the parent	Non- controlling interest	Total equity
Balance at 1 January 2018	208,959,071	-	426,480,702			645,765,081	1,276,248,203	125,763	1,276,373,966
Capital increase	382,399,821	-	-	-	-	-	382,399,821	-	382,399,821
Capital decrease (*)	(20,010,882)	-	-	-	-	20,010,882	-	-	-
Effects of transactions involving entities under common control (Note 1)(**)	-	-	-	-	-	(7,179,666)	(7,179,666)	-	(7,179,666)
Dividend distribution	-	-	-	-	-	(330,400,000)	(330,400,000)	-	(330,400,000)
Transfer of depreciation of revalued powerhips (Note 1.5)	-	-	(12,099,568)	-	-	12,099,568	-	-	-
Total comprehensive income	-	26,920	224,648,234	(2,245,402)	308,142,220		530,571,972	168,877	530,740,849
Balance at 31 December 2018	571,348,010	26,920	639,029,368	(7,202,053)	648,438,085		1,851,640,330	294,640	1,851,934,970

(*) In the current period, the Group management deduced to reduce the number of shares of issue capital with decreasing the par value of the shares. Following the reduction of shares of capital, the amount of ordinary shares has become USD 624.84 per share (2018: USD 624.84 per share). (2017: The nominal value of the shares registered capital of the Company was converted from Euro into US Dollars by using the exchange rates at the date of respective capital increase in accordance with Dutch Law), between equity items were considered immaterial and previous year financials are not restated accordingly.

(**) Karadeniz Powership Osman Bey Company Limited and Kps Karadeniz Powership Company (Cyprus) Ltd had been consolidated in Karadeniz Holding A.S. previously. In the current period these companies are consolidated in Karpower International B.V. following the shares transfers. Accordingly, amounting of USD 7,179,666 recognised in retained earnings considering the effects realised between the entities under common control.

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		173,310,296	77,827,643
Profit for the year		262,454,389	308,311,097
Adjustments to reconcile profit for the year		294,812,410	247,931,186
Depreciation and amortization	17-18	106,935,290	134,304,056
Provision for employment termination benefits		761,656	1,144,582
Interest expense	20	112,881,280	71,549,447
Interest income	20	(1,778,567)	(1,677,843)
Provision for doubtful receivables	7	48,183,702	10,519,675
Gain on sale of support vessels	19	(141,902)	(3,634,957)
Shares of loss of joint ventures	23	274,420	2,502
Tax provision	21	27,696,531	35,723,724
Changes in net working capital		(383,956,503)	(478,414,640)
Changes in due from/due to related parties		(51,616,773)	(185,181,153)
Changes in trade receivables		3,621,505	(53,051,338)
Changes in inventories		(12,858,148)	27,230,635
Changes in other current and non current assets and liabilities		(2,602,616)	(84,640,824)
Changes in prepaid expenses and deferred income		(24,061,739)	(37,048,902)
Changes in trade payables		(263,383,059)	(115,244,026)
Taxes paid		(33,009,467)	(30,411,085)
Employment termination benefit paid		(46,206)	(67,947)
Net cash used in investing activities		(255,813,834)	(223,772,572)
Proceeds from sale of property, plant and equipment		30,796,822	36,156,867
Purchases of property, plant and equipment and intangible assets		(264,639,627)	(260,897,578)
Change in blocked deposits		(85,023,568)	5,867,438
Proceeds from disposal of subsidiary shares		67,653,240	-
Capital paid in associates	23	(4,600,701)	(4,899,299)
Cash flows generated from financing activities		36,455,286	321,182,522
Proceeds from bank borrowings	12	583,828,770	870,652,288
Repayments of bank borrowings	12	(381,633,975)	(510,599,688)
Capital increase	15	280,337,000	382,399,821
Interest paid		(126,615,109)	(92,547,742)
Interest received	20	1,778,567	1,677,843
Dividend payment	15	(321,239,967)	(330,400,000)
Net (decrease) / increase in cash and cash equivalents		(46,048,252)	175,237,593
Effects of unrealized exchange gains / (loss) on cash and cash equivalents		(1,068,903)	(4,912,207)
Cash and cash equivalents at the beginning of the year	6	219,315,058	48,989,672
Cash and cash equivalents at the end of the year	6	172,197,903	219,315,058

The accompanying notes form an integral part of these special purpose consolidated financial statements.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Having established in 2010, Karpower International B.V., (the "Group" or "Karpower BV"), is the holding company for the overseas operations of the Karadeniz Holding A.Ş. ("Karadeniz Holding"), which is the ultimate controlling party of the Group. The Group mainly provides administrative services and coordination for operations in foreign countries.

The Group is registered in the Netherlands and its registered address is De Lairesestraat 154, 1075 HL, Amsterdam.

As of 31 December 2019, average personnel number under payroll of the Group is 591 (2018: 394).

The major subsidiaries of Karpower International B.V. and their nature of operations are as follows:

Subsidiaries	Nature of business	Segment	Country	Currency
1.Karpowership Indonesia 22 DMCC ("Indonesia 22")	Floating power plant services	Energy	United Arab Emirates	USD
2.Karpowership Indonesia 23 DMCC ("Indonesia 23")	Floating power plant services	Energy	United Arab Emirates	USD
3.Karpowership Indonesia 11 DMCC ("Indonesia 11")	Floating power plant services	Energy	United Arab Emirates	USD
4.Karpowership Indonesia 14 DMCC ("Indonesia 14")	Floating power plant services	Energy	United Arab Emirates	USD
5.Karpowership Lebanon Company Limited ("Karpowership Lebanon")	Floating power plant services	Energy	Marshall Islands	USD
6.Karpowership Indonesia 3 DMCC ("Indonesia 3")	Floating power plant services	Energy	United Arab Emirates	USD
7.Karpowership Lebanon Company Limited (Lebanon Branch) ("Karpowership Lebanon Branch")	Operation of floating power plant	Energy	Lebanon	USD
8.Karpowership Lebanon Company Limited (Dubai Branch) ("Karpowership Lebanon DMCC Branch")	Operation of floating power plant	Energy	United Arab Emirates	USD
9.Karpowership Americas Company Limited ("KPS Americas")	Floating power plant services	Energy	Marshall Islands	USD
10.Karpowership Panama Company, S. De R.L.	Floating power plant services	Energy	Marshall Islands	USD
11.Karadeniz Powership Ibrahim Bey Company ("Ibrahim Bey")	Construction of floating power plant	Energy	Marshall Islands	USD
12.Karadeniz Powership Mehmet Bey Company ("Mehmet Bey")	Construction of floating power plant	Energy	Marshall Islands	USD
13.Karadeniz Powership Ela Sultan Company ("Ela Sultan")	Construction of floating power plant	Energy	Marshall Islands	USD
14.Karadeniz Powership Orka Sultan Company ("Orka Sultan")	Construction of floating power plant	Energy	Marshall Islands	USD
15.Karadeniz Powership Deniz Sultan Company ("Deniz Sultan")	Floating power plant services	Energy	Marshall Islands	USD
16.Karadeniz Powership Ebru Sultan Company ("Ebru Sultan")	Floating power plant services	Energy	Marshall Islands	USD
17.Karadeniz Powership Reşat Sultan Company ("Reşat Sultan")	Construction of floating power plant	Energy	Marshall Islands	USD
18.Karadeniz Powership Kaya Bey Company ("Kaya Bey")	Floating power plant services	Energy	Marshall Islands	USD
19.Karadeniz Powership Kaya Bey (SL) Limited ("Kaya Bey Branch")	Floating power plant services	Energy	Sierra Leone	USD
20.Karadeniz Powership Koray Bey Company ("Koray Bey")	Floating power plant services	Energy	Marshall Islands	USD
21.Karadeniz Powership Koray Bey Company Limited (Branch) ("Koray Bey Branch")	Floating power plant services	Energy	Gambia	USD
22.Karpower Orinet Company Limited ("Orient")	Floating power plant services	Energy	Marshall Islands	USD
23.Karadeniz Powership Metin Bey Company ("Metin Bey")	Floating power plant services	Energy	Marshall Islands	USD
24.Karadeniz Powership Osman Khan Company Limited ("Osman Khan")	Floating power plant services	Energy	Isle of Man	USD

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries	Nature of business	Segment	Country	Currency
25.Karpowership 15 DMCC ("15 DMCC")	Floating power plant services	Energy	United Arab Emirates	USD
26.Karpowership 24 DMCC ("24 DMCC")	Floating power plant services	Energy	United Arab Emirates	USD
27.Karadeniz Powership Ayşegül Sultan Company Limited ("Ayşegül Sultan")	Construction and operation of floating power plant	Energy	Isle of Man	USD
28.Karadeniz Powership Ayşegül Sultan Company Limited ("Ayşegül Sultan DMCC Branch")	Floating power plant services	Energy	United Arab Emirates	USD
29.Karadeniz Powership Osman Bey Company Limited ("Osman Bey")	Maritime services	Other	Marshall Islands	USD
30.Karpowership Bagan Company Limited ("Karpowership Bagan")	Floating power plant services	Energy	Myanmar	USD
31.Karpowership Asia Company Private Limited ("Karpowership Asia")	Floating power plant services	Energy	Singapore	USD
32.Karadeniz Powership Latam1 Company Limited ("Latam1") (2)	Floating power plant services	Energy	Malta	USD
33.Karadeniz Powership Latam2 Company Limited ("Latam2") (2)	Floating power plant services	Energy	Malta	USD
34.Karadeniz Powership Latam3 Company Limited ("Latam3") (2)	Floating power plant services	Energy	Malta	USD
35.Karpowership West Africa Ventures Company Ltd ("West Africa") (2)	Floating power plant services	Energy	Ghana	GHS
36.Limited Liability Company Best Solar ("Best Solar") (2)	Solar energy	Energy	Ukraine	UAH
37.Karpowership Senegal ("Karpowership Senegal") (2)	Floating power plant services	Energy	Senegal	CFA
38.Karpowership Mauritius Company Limited ("Karpowership Mauritius") (2)	Floating power plant services	Energy	Mauritius	USD
39.Karpowership SA Proprietary Limited (2)	Floating power plant services	Energy	South Africa	USD
40.KPS Powership SA (PTY) Limited (2)	Floating power plant services	Energy	South Africa	USD
41.PT Kar Powership Indonesia Company Limited ("PT Indonesia")	Floating power plant services	Energy	Indonesia	USD
42.Karpowership Mozambique Company Limited ("Karpowership Mozambique Limited")	Floating power plant services	Energy	Mozambique	USD
43.Karpower Ghana Finance Services B.V. ("Ghana Finance")	Financing	Energy	Netherlands	USD
44.Karpower Indonesia Finance Services B.V. ("Indonesia Finance")	Financing	Energy	Netherlands	USD
45.Karpower Latam Company ("Karpower Latam") (1)	Floating power plant services	Energy	England	GBP
46.Karpowership UK Ltd. ("Karpowership UK") (1)	Floating power plant services	Energy	England	GBP
47.Karadeniz Holdings Limited ("Karadeniz Holdings")	Holding Company	Energy	Malta	USD
48.Karmarine Karadeniz Denizcilik ve Ticaret A.Ş. ("Karmarine A.Ş.")	Spare parts trading	Energy	Turkey	TL
49.Karmarine Karadeniz Denizcilik ve Ticaret A.Ş. Serbest Bölge ("Karmarine Desbaş")	Spare parts trading	Energy	Turkey	TL
50.Karpowership Ghana Company Limited (Karpowership Ghana)	Floating power plant services	Energy	Ghana	USD
51.Karadeniz Powership Gökhan Bey Company ("Gökhan Bey")	Floating power plant services	Energy	Marshall Islands	USD
52.Karadeniz Powership Orhan Bey Company ("Orhan Bey")	Floating power plant services	Energy	Marshall Islands	USD
53.Karadeniz Powership Yasin Bey Company ("Yasin Bey")	Floating power plant services	Energy	Marshall Islands	USD
54.Karadeniz Powership Zeynep Sultan Company Limited ("Zeynep Sultan")	Floating power plant services	Energy	Isle of Man	USD
55.Karpower International DMCC ("International DMCC")	Floating power plants services	Energy	United Arab Emirates	USD
56.Powership Operation DMCC ("Operation DMCC")	Floating power plants services	Energy	United Arab Emirates	USD
57.Karpowershipyard Rauf Bey Company ("Rauf Bey")	Floating power plant services	Energy	Marshall Islands	USD
58.Karpowership Iraq Company Limited ("Karpowership Iraq")	Floating power plant services	Energy	Marshall Islands	USD
59.Karpowership Iraq Company Limited (DMCC Branch)	Floating power plant services	Energy	United Arab Emirates	USD
60.Karadeniz Powership Suheyla Sultan Company ("Suheyla Sultan")	Floating power plant services	Energy	Marshall Islands	USD

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries	Nature of business	Segment	Country	Currency
61. Karadeniz Powership Yurdanur Sultan Company ("Yurdanur Sultan")	Floating power plant services	Energy	Marshall Islands	USD
62. Karadeniz Powership Esra Sultan Company ("Esra Sultan")	Floating power plant services	Energy	Marshall Islands	USD
63. Karpowership Mozambique Company Limited ("Karpowership Mozambique MI")	Floating power plant services	Energy	Marshall Islands	USD
64. Karpowership Energy (Namibia) (Proprietary) ("Karpowership Namibia")	Floating power plant services	Energy	Namibia	NAD
65. Karadeniz Powership 25 DMCC ("25 DMCC") (2)	Floating power plant services	Energy	United Arab Emirates	USD
66. Mozambique Powership DMCC ("Mozambique DMCC") (2)	Floating power plant services	Energy	United Arab Emirates	USD
67. Karmol Powership Company Limited ("Karmol Powership")	Holding Company	Energy	Malta	USD
68. Karpower Latam Company Limited (Argentine Branch)	Floating power plant services	Energy	Argentina	USD
69. Karpower International DMCC GB - Filial, SA (2)	Floating power plant services	Energy	United Arab Emirates	USD
70. Karpowership UK Ports & Shore Power Limited (1)	Floating power plant services	Energy	England	GBP
71. Karpowership UK GIP Limited (1)	Floating power plant services	Energy	England	GBP
72. Karpowership Global B.V. (2)	Floating power plant services	Energy	Netherlands	USD
73. Karpower International B.V. ("Karpower B.V.")	Coordination of foreign entities	Energy	The Netherlands	USD

- (1) These subsidiaries are controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2019. This exemption is taken in accordance with Companies Act s479A.
- (2) The companies has established in 2019.

Joint ventures	Nature of business	Segment	Country	Currency
Karmol Lng Company Limited ("Karmol Lng") (1)	Holding Company	Energy	Malta	USD

- (1) As of 31 December 2019, the joint ventures's current assets, non-current assets, short-term and long-term liabilities and shareholders' equity, which are consolidated with the equity method in accordance with IAS 28.

The Group and its subsidiaries are referred to as the "Group" in the special purpose consolidated financial statements.

Main operations of the Group

Lebanon

Karpowership Lebanon has signed an agreement with the Republic of Lebanon Ministry of Energy and Water for and on behalf of Electricite du Liban ("EDL") on 13 July 2012 for Energy Conversion Works. KPS 7 Orhan Bey and KPS 9 Fatmagül Sultan floating power plants have been operating since 31 March 2013. Karpowership Lebanon is responsible for providing 370 MW of energy with guaranteed availability 90%.

Ghana

Karpowership Ghana has signed an agreement with the Electricity Company of Ghana Limited ("ECG") on 5 June 2014 for Power Delivery Services as operation company. KPS 12 Osman Khan floating power plant owned by Karadeniz Powership Osman Khan Company (ship company) is responsible for providing 450 MW of energy with guaranteed availability 93%.

Sudan

Karen Dış Ticaret ve Enerji A.Ş. (a related party) signed a power purchase agreement with Sudanese Thermal Power Generating Company on 10 April 2018. Contract is take and pay, operations started on May 2018.

KPS 5 Kaya Bey owned by Karpowership Iraq Company continues its operations.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Indonesia

PT Indonesia has signed five agreement with the PT PLN ("Persero") to supply electricity in 5 different islands of the Indonesian Archipelago as operation company.

First floating power plant, KPS 11 Zeynep Sultan floating power plant owned by Karpowership Indonesia 11 DMCC Company has arrived in Amurang, North Sulawesi and started operations on January 2016. Second powership KPS 52 Nezih Bey has arrived to North Sulawesi, Amurang and started operations under the KPS 11 Zeynep Sultan contract on September 2018. Total contract capacity is 120 MW with guaranteed availability 80%.

Third floating power plant, KPS 22 Gökhan Bey floating power plant owned by Karpowership Indonesia 22 DMCC has arrived in Kupang, East Nusa Tenggara and started operations on December 2016. Total contract capacity is 60 MW with guaranteed availability 80%.

Forth floating power plant, KPS 23 Yasin Bey floating power plant owned by Karpowership Indonesia 23 DMCC has arrived in Ambon and started operations on April 2017. Total contract capacity is 60 MW with guaranteed availability 80%.

Fifth floating power plant, KPS 14 Onur Sultan floating power plant owned by Karpowership Indonesia 14 DMCC has arrived in Medan and started operations on June 2017. Total contract capacity is 240 MW with guaranteed availability 80%.

Mozambique

International DMCC signed Time Charter and Support Vessel Contract with the Electricidade De Moçambique E.P. (EDM) on 11 March 2018 as operation company. KPS 6 İrem Sultan floating power plant owned by Operation DMCC Company (ship company) was responsible for providing 48 MW of energy until the end of November 2019. From this date KPS 25 Mehmet Bey floating power plant owned by Karadeniz Powership 25 DMCC (ship company) has been responsible for providing energy according to addendum signed on 28 August 2019. In connection with this addendum a novation agreement was signed on 3 December 2019 regarding to transfer of International DMCC interests, rights and obligations to Mozambique Powership DMCC as new operation company.

Gambia

Koray Bey (operation and ship company) signed a Power Purchase Agreement ("PPA") with the Gambia National Water and Electricity Company ("NAWEC") on 20 April 2018. The contract was extended on 2 May 2020 for 48 months. KPS 50 Koray Bey floating power plant is responsible for providing 30 MW of energy with guaranteed availability 80%.

On 8 May 2018, the Company has registered a branch (the "Branch") in Gambia; Karadeniz Powership Koray Bey Company Limited (Branch). The registered address of the Branch is Kanifing, Kanifing Municipality, The Gambia.

Guinea Bissau

Karpower International DMCC has signed a power purchase agreement with the Electricidade E Aguas da Guinea Bissau ("EAGB") on 28 January 2019 as operation company. KPS 51 Metin Bey floating power plant owned by Metin Bey Company is responsible for providing 17 MW of energy.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Sierra Leone

On 11 June 2018, Kaya Bey Company finalised the terms of its Utility Grid Infrastructure & Electricity Supply Agreement with Electricity Distribution and Supply Authority (EDSA), Ministry of Energy (MOE), and Ministry of Finance and Economic Development (MOF) of Sierra Leone Government (the "Customer") in respect of its powership.

KPS 3 Doğan Bey floating power plant provides 30 MW for seven months and 15 MW for five months of each operational year.

The commencement of commercial operations was achieved on 11 June 2018 in Freetown, Sierra Leone.

On 25 June 2018, the Company has registered a branch (the "Branch") in Sierra Leone; Karadeniz Powership Kaya Bey (SL) Limited. The registered address of the Branch is 17 Percival Street, 2nd Floor, Freetown.

On December 20th, 2018, the Company signed an addendum to the agreement dated June 11th, 2018, for capacity expansion. According to this addendum KPS 53 Göktay Bey started operations on 31 March 2019 for providing 20 MW for seven months and 15 MW for five months of each operational year.

Senegal

Karpowership 15 DMCC has signed an equipment rental contract with Senegal Electricity Company ("SENELEC") on 8 August 2019 as ship company. Karpowership Senegal has signed an operating and maintenance service contract with Senelec on 8 August 2019 as operation company. KPS 10 Ayşegül Sultan floating power plant is responsible for providing 120 MW of energy.

Cuba

Karen Dış Ticaret ve Enerji A.Ş. (a related party) signed an electricity supply services contract with La Empresa Importadore y exportadora de objetivos electroenergeticos on 27 October 2018 as operation company for three floating power plants.

KPS 54 Barış Bey and KPS 60 Esra Sultan floating power plants owned by Karadeniz Powership Latam 1 Company and Karadeniz Powership Latam 2 Company respectively started operations on August 2019. KPS 62 Ela Sultan floating power plant owned by Karadeniz Powership Latam 3 Company started operations on November 2020. Total contract capacity is 144 MW with guaranteed availability 93%.

Karadeniz Holdings

Karadeniz Holdings was established in 2016 in Malta. The principal activity of the company is to be holding company for the overseas operations of the certain Karadeniz Group companies and provide administrative services and coordination for operations in foreign countries.

Karmarine A.Ş.

The company started its operations in 2008, it engages in rendering of various services and spare parts to maritime and energy sectors and especially operates in the activities of consultancy, organizational services and vessel administrative services in the construction process of floating power plants. Karmarine A.Ş. owns a shipyard in Yalova region. Karmarine A.Ş.'s branch Karmarine Desbaş commenced its operations on 29 March 2012 in Istanbul Industry and Trade Free Zone Founder and Operating Co. The branch deals with the activities of selling machinery, equipment and spare parts.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Karmol LNG

Karmol LNG Company Limited was established on 22 October 2018. The principal activity of the company is to be holding company for the FSRU (Floating Storage Regasification Unit) operations of the certain Karadeniz Group companies and provide administrative services and coordination for FSRU operations in foreign countries.

Karmol Powership

Karmol Powership Limited was established on 6 December 2018. The principal activity of the Company is to be a Holding structure for the Mozambique operations and provide administrative services and coordination.

NOTE 2 - BASIS OF PRESENTATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The special purpose consolidated financial statements of Karpower International B.V. have been prepared in accordance with International Financial Reporting Standards (IFRS). Karpower International B.V. and its foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These special purpose consolidated financial statements in US Dollars ("USD") are based on the historical cost convention except for certain property plant and equipments (floating power plants) which are expressed at their fair values.

In line with the regulation in Nederland, the Group prepares its financial statements on a standalone basis. Accompanying "special purpose" consolidated financial statements are aimed to present the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the year then ended.

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The special purpose consolidated financial statements are presented in USD, which is the presentation currency of the Group.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions, and
- All resulting exchange differences are recognised as a separate component of equity (currency translation reserve), in other comprehensive income.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Comparative information and restatement of prior period financial statements

In order to allow the determination of financial position and performance, the Group's special purpose consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of special purpose consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

2.3 Changes in International Accounting Standards and IFRS

a) New and amended IFRS Standards that are effective for the current year

IFRS 16

Amendments to IFRS 9

IFRS Interpretation 23

Amendments to IAS 28

Amendments to IAS 19 Employee

Benefits

Annual Improvements to IFRS

Standards 2015–2017 Cycle

Leases

Prepayment Features with Negative Compensation

Uncertainty over Income Tax Treatments

Long-term Interests in Associates and Joint Ventures

Plan Amendment, Curtailment or Settlement

Amendments to IFRS 3 Business Combinations,

IFRS 11 Joint Arrangements, IAS 12 Income Taxes

and IAS 23 Borrowing Costs

Impact of initial application of IFRS 16 leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

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

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

These standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Changes in International Accounting Standards and IFRS (Continued)

b) New and amended IFRS Standards that are effective for the current year

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

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

b) New and revised IFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

IFRS 16

Leases

IFRS 17

Insurance Contracts

IFRS 10 and IAS 28 (amendments)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 3

Business Combinations

Amendments to IAS 1

Presentation of Financial Statements

Amendments to IAS 8

Accounting Policies, Changes in Accounting Estimates and Errors

Conceptual Framework

Amendments to References to the Conceptual Framework in IFRS Standards

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Changes in International Accounting Standards and IFRS (Continued)

b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 *Business Combinations*

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in IFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a Group acquired a business or a group of assets.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Changes in International Accounting Standards and IFRS (Continued)

b) New and revised IFRSs in issue but not yet effective (Continued)

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

These standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The special purpose consolidated financial statements include the accounts of the parent company, Karpower International B.V. and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the special purpose consolidated financial statements and have been prepared in accordance with IFRS. The results of subsidiaries are recognized since the beginning of year.

Subsidiaries

Karpower International B.V. controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Karpower International B.V. has power over a subsidiary when Karpower International B.V. has existing rights that give it the current ability to direct the relevant activities that significantly affect the subsidiary's returns. Power arises from rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Karpower International B.V. controls another entity.

Subsidiaries, including the structured entities, are the companies controlled by the Group. The Group's control is provided by the ability to affect the variable returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases.

The balance sheets and statements of profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Karpower International B.V. and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Karpower International B.V. and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Karpower International B.V. in its subsidiaries are eliminated from equity and income for the year, respectively.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Subsidiaries (Continued)

Financial statements of subsidiaries, associates and joint ventures that are operating in foreign countries are prepared in accordance with applicable laws and regulations in countries in which they are registered and required adjustments and reclassifications are reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

If the Group companies' functional currency is different from its presentation currency, the functional currency is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognised as a separate component of equity and statements of comprehensive income (currency translation reserve).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Changes in ownership rates that do not result in control ceases in the subsidiaries

Changes ownership interests in a subsidiary that do not result in losing control of the subsidiary are equity transactions. These transactions are the transactions that are made among shareholders. The difference between the net book value of the acquired assets of a subsidiary and the fair value of consideration paid for these assets are accounted for under equity. Gains or losses arising from the sale of non-controlling interests are presented under equity.

Disposal of a subsidiary

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed of the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

Non-controlling interests

The minority shares in the net assets and operating results of subsidiaries are separately classified in the special purpose consolidated balance sheets and statement of profit or loss as "non-controlling interests". Certain Karadeniz Family members and companies controlled by them have interests in the share capital of certain subsidiaries. In the special purpose consolidated financial statements, these interests of the Karadeniz Family members and companies controlled by them are treated as non-controlling interests and are not included in the Group's net assets and profits attributable to shareholders.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Non-controlling interests (Continued)

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the parent. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also accounted for under equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for under equity.

Transactions involving entities under common control

Legal mergers involving entities under Group's control are not considered within the scope of IFRS 3 - "Business Combinations" and no goodwill is recognized for such combinations in this regard. Additionally, transactions between entities subject to legal mergers are adjusted during preparation of special purpose consolidated financial statements. Assets and liabilities subject to business combination recognized at their carrying amounts for the accounting of share transfers between entities under common control. Business combinations involving entities under common control are accounted for using "Pooling of Interest Method". Applying this method, financial statements have been adjusted as if the acquisition was made as of the beginning of the relevant reporting period in which the common control was carried out and they are presented comparatively as of the beginning of the relevant reporting period. As a result of these transactions neither goodwill nor bargain purchase is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted as "Effects of transactions involving entities under common control" under retained earnings.

The table below sets out the major subsidiaries and shows the proportion of ownerships interest:

Subsidiaries	2019	2018	2019	2018
1. Indonesia 22	100.00	100.00	100.00	100.00
2. Indonesia 23	100.00	100.00	100.00	100.00
3. Indonesia 11	100.00	100.00	100.00	100.00
4. Indonesia 14	100.00	100.00	100.00	100.00
5. Karpowership Lebanon	100.00	100.00	100.00	100.00
6. Indonesia 3	100.00	100.00	100.00	100.00
7. Karpowership Lebanon Branch	100.00	100.00	100.00	100.00
8. Karpowership Lebanon DMCC Branch	100.00	100.00	100.00	100.00
9. KPS Americas	100.00	100.00	100.00	100.00
10. Karpowership Panama Company, S. De R.L.	100.00	100.00	100.00	100.00
11. İbrahim Bey	100.00	100.00	100.00	100.00
12. Mehmet Bey	100.00	100.00	100.00	100.00
13. Ela Sultan	100.00	100.00	100.00	100.00
14. Orka Sultan	100.00	100.00	100.00	100.00
15. Deniz Sultan	100.00	100.00	100.00	100.00
16. Ebru Sultan	100.00	100.00	100.00	100.00

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Subsidiaries	Direct and indirect ownership interest held by Karpower BV (%)		Proportion of effective interest (%)	
	2019	2018	2019	2018
17. Refakat Sultan	100.00	100.00	100.00	100.00
18. Kaya Bey	100.00	100.00	100.00	100.00
19. Kaya Bey Branch	100.00	100.00	100.00	100.00
20. Koray Bey	100.00	100.00	100.00	100.00
21. Koray Bey Branch	100.00	100.00	100.00	100.00
22. Orient	100.00	100.00	100.00	100.00
23. Metin Bey	100.00	100.00	100.00	100.00
24. Osman Khan	100.00	100.00	100.00	100.00
25. Karpowership 15 DMCC	100.00	100.00	100.00	100.00
26. Karpowership 24 DMCC	100.00	100.00	100.00	100.00
27. Ayşegül Sultan	100.00	100.00	100.00	100.00
28. Ayşegül Sultan DMCC Branch	100.00	100.00	100.00	100.00
29. Osman Bey	100.00	100.00	100.00	100.00
30. Karpowership Bagan	100.00	100.00	100.00	100.00
31. Karpowership Asia	100.00	100.00	100.00	100.00
32. Latam1	100.00	-	100.00	-
33. Latam2	100.00	-	100.00	-
34. Latam3	100.00	-	100.00	-
35. West Africa	100.00	-	100.00	-
36. Best Solar	100.00	-	100.00	-
37. Karpowership Senegal	100.00	-	100.00	-
38. Karpowership Mauritius	100.00	-	100.00	-
39. Karpowership SA Proprietary	100.00	-	100.00	-
40. KPS Powership SA (PTY)	100.00	-	100.00	-
41. PT Indonesia	100.00	100.00	100.00	100.00
42. Karpowership Mozambique Limitada	95.00	95.00	95.00	95.00
43. Ghana Finance	100.00	100.00	100.00	100.00
44. Indonesia Finance	100.00	100.00	100.00	100.00
45. Karpower Latam	100.00	100.00	100.00	100.00
46. Karpowership UK	100.00	100.00	100.00	100.00
47. Karadeniz Holdings	100.00	100.00	100.00	100.00
48. Karmarine A.Ş.	100.00	100.00	100.00	100.00
49. Karmarine Desbaş	100.00	100.00	100.00	100.00
50. Karpowership Ghana	100.00	100.00	100.00	100.00
51. Gökhan Bey	100.00	100.00	100.00	100.00
52. Orhan Bey	100.00	100.00	100.00	100.00
53. Yasin Bey	100.00	100.00	100.00	100.00
54. Zeynep Sultan	100.00	100.00	100.00	100.00

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.1 Basis of consolidation (Continued)**

Subsidiaries	Direct and indirect ownership interest held by Karpower BV (%)		Proportion of effective interest (%)	
	2019	2018	2019	2018
55. International DMCC	100.00	100.00	100.00	100.00
56. Operation DMCC	100.00	100.00	100.00	100.00
57. Rauf Bey	100.00	100.00	100.00	100.00
58. Karpowership Iraq	100.00	100.00	100.00	100.00
59. DMCC Branch	100.00	100.00	100.00	100.00
60. Suheyra Sultan	100.00	100.00	100.00	100.00
61. Yurdanur Sultan	100.00	100.00	100.00	100.00
62. Esra Sultan	100.00	100.00	100.00	100.00
63. Karpowership Mozambique MI	100.00	100.00	100.00	100.00
64. Karpowership Namibia	100.00	100.00	100.00	100.00
65. Karadeniz Powership 25 DMCC	100.00	-	100.00	-
66. Mozambique Powership DMCC	100.00	-	100.00	-
67. Karmol Powership	75.00	100.00	75.00	100.00
68. Argentine Branch	100.00	100.00	100.00	100.00
69. Karpower International DMCC GB	100.00	-	100.00	-
70. Karpowership Uk Ports & Shore Power	100.00	100.00	100.00	100.00
71. Karpowership UK GTP Limited	100.00	100.00	100.00	100.00
72. Karpowership Global B.V.	100.00	-	100.00	-
73. Karpower B.V.	100.00	100.00	100.00	100.00

Joint Ventures	Direct and indirect ownership interest held by Karpower BV (%)		Proportion of effective interest (%)	
	2019	2018	2019	2018
1. Karmol Lng	50.00	50.00	50.00	50.00

3.2 Revenue*Revenue*

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Electricity is generated to be transferred when the control belongs to the customer.

The Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Revenue (Continued)

Revenue

The Group recognized revenue from its customers only when all of the following criteria are met:

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- b) Group can identify each party's rights regarding the goods or services to be transferred,
- c) Group can identify the payment terms for the goods or services to be transferred;
- d) The contract has commercial substance,
- e) It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Floating power plant rent income

As described in Note 1, the Group signed agreements for electricity sales through operating floating power plants. Such agreements are classified as operating leases and rental assets have been classified under property, plant and equipment in the consolidated statement of financial position and rent income generated for the rental period is reflected to the consolidated statement of profit or loss within the context of the rental agreements.

Sale of goods

Trading income is recognized on an accrual basis at the time when risk is transferred, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party
 - (i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Group as its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

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

For the purpose of these special purpose consolidated financial statements, shareholders, key management personnel and members of Board of Directors, in each case together with their families and companies controlled by or affiliated with them are considered and referred to as related parties (Note 22).

3.4 Property, plant and equipment

Floating power plants are shown at fair value, based on valuations by external independent valuer, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in carrying amount arising from revaluation of floating power plants are credited to special purpose other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in special purpose other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of special purpose comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of special purpose comprehensive income, and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'retained earnings'.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property, plant and equipment (Continued)

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of special purpose comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate the assets cost over their expected useful lives, as follows:

	Years
Land improvements	7
Floating power plants	15-25
Motor vehicles	4-8
Furniture and fixtures	4

The asset's residual values and useful lives are reviewed and adjusted if appropriate periodically. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are recognised in statement of special purpose comprehensive income.

3.5 Intangible assets

Intangible assets include rights and computer software. They are recorded at acquisition cost and acquired software certificates are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal.

3.6 Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the special purpose consolidated statement of profit or loss.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, as long as so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of the 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. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group have not been recognized in the special purpose consolidated financial statements and treated as contingent liabilities and assets.

3.9 Financial assets

Financial assets include short-term liquid assets with original maturities of more than 3 months and restricted bank deposits.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Group reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above), are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss;. Other exchange differences are recognised in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

Financial liabilities (Continued)

A financial liability is subsequently classified at amortized cost except:

- (a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- (b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
- (c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where IFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.11 Taxation on income

Taxation on income included in the special purpose consolidated statement of profit or loss comprises current tax and the change in the deferred income taxes. Current taxes on income comprise tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted at the balance sheet date and any adjustment in taxes payable for prior years.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The tax base of an asset and liability is the amount that will affect the taxable income of such asset and liabilities in subsequent periods, in accordance with the tax legislation. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognized reflecting the tax consequences that would follow from the manner in which the Group expects at the balance sheet date to recover or settle the carrying amount of its assets and liabilities. While the deferred income tax liabilities are recognized for all temporary differences; deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred income tax asset to be utilized.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxation on income (Continued)

When the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred income tax assets and deferred income tax liabilities are offset accordingly (Note 21).

3.12 Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividend payables are reflected to special purpose consolidated financial statements as a liability once the dividend distribution is approved by the Group's shareholders (Note 15).

3.13 Provision for employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation, that arise on retirement of the employees, employees who achieves the retirement age and for employees whose employment is terminated without due cause, are called up for military service or dies, calculated in accordance with the recased legislation of each Group entity. Accordingly only the entities operating in Turkey is obliged by provision for employee termination benefits, as required by the Turkish Commercial Law.

The defined retirement benefit obligation is calculated based on actuarial forecasts using the projected unit credit method when considering present value. All actuarial gains and losses are accounted for under other comprehensive income.

3.14 Events after the reporting period

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been ceased to exist after any information related to profit or other financial information is publicly announced.

The Group adjusts amounts in financial statements accordingly, when an adjusting event occurs after the balance sheet date. If non-adjusting events after balance sheet date have material effects on the economic decisions of the users of the financial statements, they are disclosed in the notes to the special purpose consolidated financial statements (Note 24).

3.15 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently presented at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the special purpose consolidated statement of profit or loss over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Borrowings and borrowing costs (Continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the special purpose consolidated statement of profit or loss when they are incurred.

Foreign exchange differences and the effective portion of the fair value differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

3.16 Inventories

Inventories are valued at the lower of cost or net realizable value. Inventories comprise spare parts, fuel oil and lube oil. The cost of inventories is determined on a weighted average basis. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8).

3.17 Spare parts

Spare parts and maintenance equipment are generally accounted in inventories and are reflected to the statement of profit or loss as used; however, spare parts and maintenance equipment that are expected to be used more than one period by the Group are accounted as property, plant and equipment. Moreover, if spare parts or maintenance equipment is only associated with one property, plant and equipment then they are accounted under floating powerplant for as property, plant and equipment (Note 11).

3.18 Statement of cash flows

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 of the Group generated from the ordinary course of business. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed asset 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 comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than one months.

3.19 Offsetting

Each material class of similar items according to their nature or function is presented separately in the financial statements. If a line item is not individually material, it is aggregated with other similar items according to their nature or function. If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks are; liquidity risk, market risk (including currency risk, interest rate risk), credit risk and funding risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is carried out by Finance Department of Karadeniz Holding under the policies approved by the Board of Directors. Finance Department is in cooperation with the other units of the Group and assures the detection and evaluation of financial risks and related prevention from the risks.

a) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Non derivative financial liabilities:

	Carrying	Total	Less than	3 - 12	1 - 5
2019	value	contractual	3 months	months	years
Bank borrowings	1,548,105,313	1,766,274,563	145,566,702	659,886,708	960,821,153
Trade payables	149,688,838	149,688,838	149,688,838	-	-
Due to related parties	16,434,706	16,434,706	16,434,706	-	-
Other liabilities	32,858,579	32,858,579	32,858,579	-	-
	1,747,087,436	1,965,256,686	344,548,825	659,886,708	960,821,153

	Carrying	Total	Less than	3 - 12	1 - 5
2018	value	contractual	3 months	months	years
Bank borrowings	1,347,240,922	1,619,280,913	123,131,312	367,207,002	1,128,942,599
Trade payables	413,071,897	413,071,897	413,071,897	-	-
Due to related parties	20,598,273	20,598,273	20,598,273	-	-
Other liabilities	31,334,668	31,334,668	31,334,668	-	-
	1,812,245,760	2,084,285,751	588,136,150	367,207,002	1,128,942,599

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)**b) Market risk****Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. The Group utilizes its cash assets it holds in the form of financial instruments as time deposits. In order to minimize the interest rate risk, the Group seeks for the most convenient possible rates for lending.

Interest rate position of the Group as of 31 December 2019 and 2018 is as follows:

Fixed rate financial instruments

Financial assets	2019	2018
Cash and cash equivalents	9,016,656	134,340,871
Government bonds	33,304,543	-

Financial liabilities	2019	2018
Bank borrowings	817,944,944	205,749,286

Floating rate financial instruments**Financial liabilities**

Bank borrowings	730,160,369	1,141,491,636
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The weighted average effective annual interest rates (%) for the interest bearing financial assets and liabilities of the Group are as follows:

Fixed rates	2019			2018		
	USD	EUR	Other	USD	EUR	Other
Financial assets						
Cash and cash equivalents	0.70%	0.50%	-	0.81%	-	0.10%
Financial liabilities						
Bank borrowings	6.45%	-	-	7.67%	5.13%	-
Floating rates	2019			2018		
	USD	EUR	Other	USD	EUR	Other
Financial liabilities						
Bank borrowings	6.01%	6.14	-	8.76%	-	-

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

b) Market risk (Continued)

Interest rate risk (Continued)

At 31 December 2019, if interest rates on financial liabilities in USD and EUR had been 100 basis points higher/lower, with all other variables held constant, interest expense would have been USD 7,301,604 (2018 USD 11,414,916) higher/lower.

c) Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to USD. These risks are monitored and limited by the analysis of the foreign currency position.

The Group's foreign currency risk (exposure) is monitored by the management on a weekly and where necessary on a daily basis. The objective of the management is to limit the open exposure under levels determined by the Board of Directors.

Foreign Currency Position

The Group's assets and liabilities denominated in foreign currencies as of 31 December 2019 and 2018 are as follows:

	2019				2018
Assets	49,818,809				23,985,865
Liabilities	(435,102,904)				(427,305,796)
Net foreign currency position	(385,284,095)				(403,319,931)
	2019				Total foreign currency
	TL	EUR	LBP	Other	
Assets:					
Cash and cash equivalents	163,723	6,048,938	32,155,690	8,749,756	47,118,107
Trade receivables	-	-	-	5,177	5,177
Due from related parties	19	-	-	185,887	185,906
Prepaid expenses	604,712	1,602,914	-	301,993	2,509,619
Total assets	768,454	7,651,852	32,155,690	9,242,813	49,818,809
Liabilities:					
Bank borrowings	-	(373,973,743)	-	-	(373,973,743)
Trade payables	(1,942,203)	(58,742,710)	-	(219,369)	(60,904,282)
Due to related parties	(8,975)	-	-	(215,904)	(224,879)
Total liabilities	(1,951,178)	(432,716,453)	-	(435,273)	(435,102,904)
Net foreign currency position	(1,182,724)	(425,064,601)	32,155,690	8,807,540	(385,284,095)

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

c) Currency risk (Continued)

	2018				Total foreign currency
	TL	EUR	LBP	Other	
Assets:					
Cash and cash equivalents	174,058	1,025,057	3,488	26,013,997	27,216,600
Trade receivables	2,837,970	3,237,255	-	48,859	6,124,084
Due from related parties	9,310	2,548,341	-	77,258	2,634,909
Prepaid expenses	647,268	11,453,005	-	583,471	12,683,744
Total assets	3,668,606	18,263,658	3,488	26,723,585	48,659,337
Liabilities:					
Bank borrowings	-	(137,055,670)	-	-	(137,055,670)
Trade payables	(12,293,431)	(196,586,297)	-	(2,153,567)	(211,033,295)
Due to related parties	(8,524,006)	(70,524,675)	-	(168,150)	(79,216,831)
Total liabilities	(20,817,437)	(404,166,642)	-	(2,321,717)	(427,305,796)
Net foreign currency position	(17,148,831)	(385,902,984)	3,488	24,401,868	(378,646,459)

The foreign currency rates used in the translation of foreign currency denominated assets and liabilities into USD as of 31 December 2019 and 2018 are as follows:

	2019	2018
EUR	1.1196	1.2646
TL	0.1683	0.1901
LBP	0.0007	0.0016

The Group is mainly exposed to foreign exchange risks in terms of TL, EUR and LBP.

As of 31 December 2019, all other variables held constant, if the TL had been appreciated/depreciated by 10% against the USD, foreign exchange losses/gains resulting from foreign currency denominated assets and liabilities would decrease/increase profit before tax by USD 118,272 (2018: USD 1,714,883).

As of 31 December 2019, all other variables held constant, if the EUR had been appreciated/depreciated by 10% against the USD, foreign exchange losses/gains resulting from foreign currency denominated assets and liabilities would decrease/increase profit before tax by USD 42,506,460 (2018: USD 38,590,298).

As of 31 December 2019, all other variables held constant, if the LBP had been appreciated/depreciated by 10% against the USD, foreign exchange losses/gains resulting from foreign currency denominated assets and liabilities would decrease/increase profit before tax by USD 3,215,569 (2018: USD 349).

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)**d) Funding risk**

Funding risk attributable to the current and future potential liabilities is managed by providing continuous access to adequate number of creditors with high quality. The Group's borrowings are obtained from various financially strong financial institutions.

e) Credit risk

Credit risk consists of cash and cash equivalents, bank deposits and receivables from customers exposed to credit risk.

Credit risk is the risk that a counterparty cannot fulfil its obligations in the agreements that the Group is party to. The Group management monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty.

The Group management assesses the credit quality of its customers, taking into account financial position, past experience and other factors. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses.

The Group does not consider its related party receivables (including aged receivables) as risky in terms of collection based on the fact that the receivables are due from Karadeniz Group entities and the total receivables are collected in previous years.

The maximum exposure of the Group's financial assets to credit risk is as follows;

2019	Trade receivables	Due from related parties	Cash at banks	Financial assets
Maximum exposure to credit risk (A+B+C+D+E)	445,566,872	65,492,074	172,149,317	87,554,543
- Credit risk covered by guarantees	168,991,967	-	-	-
A. Neither past due nor impaired financial assets	105,050,590	65,492,074	172,149,317	87,554,543
- Secured with guarantees	32,439,764	-	-	-
B. Restructured financial assets	-	-	-	-
C. Past due but not impaired financial assets	340,516,282	-	-	-
- Secured with guarantees	136,552,203	-	-	-
D. Impaired assets	-	-	-	-
- Gross amount	80,760,678	-	-	-
- Impairment	(80,760,678)	-	-	-
- Secured with guarantees	-	-	-	-
E. Collective provision for impairment (-)	-	-	-	-

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

e) Credit risk (Continued)

2018	Trade receivables	Due from related parties	Cash at banks	Financial assets
Maximum exposure to credit risk (A+B+C+D+E)	497,372,079	18,038,868	219,193,514	2,530,975
- Credit risk covered by guarantees	228,097,624	-	-	-
A. Neither past due nor impaired financial assets	239,732,900	18,038,868	219,193,514	2,530,975
- Secured with guarantees	24,498,962	-	-	-
B. Restructured financial assets	-	-	-	-
C. Past due but not impaired financial assets	257,639,179	-	-	-
- Secured with guarantees	203,598,662	-	-	-
D. Impaired assets	-	-	-	-
- Gross amount	32,455,031	-	-	-
- Impairment	(32,455,031)	-	-	-
- Secured with guarantees	-	-	-	-
E. Collective provision for impairment (-)	-	-	-	-

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties.

The Group recognize %100 provision expense for its 180 days and more overdue receivables.

The Group's current credit risk rating methodology includes the following categories:

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)**e) Credit risk (Continued)**

Category	Description	Basis for recognizing expected credit losses
Secured receivables	Consist of secured receivables	Not generating credit losses
	The counterparty has a low risk of default and secured	Not generating credit losses
Recoverable receivables		
Doubtful or past due receivables	Amount is >180 days past due or there has been a significant increase in credit risk since initial recognition	%100 allowance for unsecured receivables
Write-off	There is evidence indicating the asset is credit-impaired	Amount is written off

f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

	31 December 2019	31 December 2018
Debt (trade payable and related party included)	1,714,228,857	1,780,911,092
Less: Cash and cash equivalents	(172,197,903)	(219,315,058)
Net debt	1,542,030,954	1,561,596,034
Total equity	2,275,405,854	1,851,640,330
Total net debt and total equity	3,817,436,808	3,413,236,364
Net debt/Total equity ratio	40%	46%

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between available parties, other than in a forced sale or liquidation, and is best determined by a quoted market price, if existing.

For financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgement 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 realise in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial assets

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their amortized cost.

For the estimated fair value of advances given to customers, it is assumed that the carrying value approximates to the amortized cost.

Financial liabilities

The fair values of short-term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature.

The estimated fair values of long-term borrowings are calculated based on the effective market interest rates and the cash flow calculations are discounted accordingly.

For the estimated fair value of advances received from customers, it is assumed that the carrying value approximates to the fair value.

The fair value of the Group's financial liabilities approximates their carrying amount.

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of special purpose consolidated financial statements necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgment of the Group management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk of leading to corrections in the registered value of the assets and liabilities in the next financial period are given below:

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Employee benefits

Termination and retirement benefits

The Group has operated in different countries and the local regulations and practices of the countries in question are applied in determination of defined benefit plan.

The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation.

Current tax

Provisions for taxes, as reflected in the accompanying consolidated special purpose financial statements, have been calculated on a separate-entity basis.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Determination of fair values of Floating Power plants

Property, plant and equipment, other than floating powerplants are stated at cost less accumulated depreciation and accumulated impairment, if any. Floating power plants are carried at fair value less accumulated depreciation using the revaluation method. The fair values of floating power plants are determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The Group used the "cost approach" method for the floating power plants.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group has recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the key assumptions and inputs used are disclosed below;

	31 December 2019	31 December 2018
Loss given default rate	45%	45%
Probability of default rate	0.68% - 27.27%	0.70% - 1.93%

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Calculation of depreciation of Power Plant

Preparation of financial statements requires management to make estimations and assumptions which may affect the reported amounts of assets and liabilities as of the statement of financial position date, the disclosure of contingent assets and liabilities and the reported amounts of income and expenses during the financial period. The accounting assessments, estimates and assumptions are reviewed considering past experiences, other factors and reasonable expectations about future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

In the current period, the management has decided to change the depreciation methodology for machineries and started to depreciate engines by using units of production method. This method is based on the actual working hours of related asset rather than depreciate them within a fixed timeframe. This methodology change has been applied prospectively starting from 1 January 2019 in the accompanying financial statements and comparatively depreciation expense has been decreased in 2019. If the Group continued to depreciate engines according to their useful lives, the Group would have recognized %33 higher than amortization expense in its special purpose consolidated profit and loss statement.

Impairment in financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Impairment of Floating Power Plant

Management reviews the carrying amount of its floating power plant to determine whether there is any indication of impairment in accordance with IAS 36 Impairment of Assets. Management has determined that no indication of impairment exists as at reporting date. The recoverable amount (net realizable value) of floating power plant is the greater of net selling price and value in use.

The Group reviews the carrying values of its floating power plant for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cashgenerating units are written down to their recoverable amount. The recoverable amounts of floating power plants have been determined based on value-in-use calculations. These calculations require the use of estimates.

As of 31 December 2019, impairment test for the floating power plants are generated by comparing its carrying amount with the recoverable amount. The recoverable amount is determined taking the value in use calculation as basis. During these 13 and 25 years period calculations, estimated free cash flow were approved by board of directors. Estimated free cash flows are discounted to expected present value for future cash flows. Key assumptions are such as country specific fee rates, and target list. Beside that the cash flow model does not contain growth rate assumption. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets, cash generating units (Note 11). For the impairment test, 8.63% Weighted Average Cost of Capital ("WACC") were used for the year-end 31 December 2019. The cash flow projections are not WACC sensitive (Note 11).

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 6 - CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS

Cash and cash equivalents	2019	2018
Cash	48,586	121,544
Cash at banks		
- USD denominated demand deposits	116,021,761	78,626,914
- Foreign currency denominated demand deposits	47,110,900	6,225,729
- USD denominated time deposits	9,009,449	113,350,000
- Foreign currency denominated time deposits	7,207	20,990,871
	172,197,903	219,315,058

Time deposits have less than one month maturity and annual effective interest rate for IRR denominated deposits is 0.5% (2018: USD 0.71%).

Foreign currency denominated cash and cash equivalents	2019	2018
LBP	32,155,690	3,488
EUR	6,048,938	1,025,057
Other	8,913,479	26,188,055
	47,118,107	27,216,600

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	2019	2018
Trade receivables	526,205,605	529,827,110
Less: Provision for doubtful receivables	(80,638,733)	(32,455,031)
	445,566,872	497,372,079

The average maturity of trade receivables as of 31 December 2019 is 150 (31 December 2018: 150 days)

USD 105,050,590 of the Group's trade receivables is neither due nor impaired as of 31 December 2019 (2018: USD 239,732,900).

The aging analysis of overdue but not impaired receivables as of 31 December 2019 and 2018 is as follows:

	2019	2018
Up to 3 months	42,629,681	132,924,709
3 - 12 months	215,291,268	40,176,104
More than one year	82,595,333	84,538,366
	340,516,282	257,639,179

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The Group allocated a provision for its all doubtful trade receivables and movements of provision for doubtful trade receivables are as follows:

	2019	2018
1 January	(32,455,031)	(21,935,356)
Charge for the period (Note 19)	(48,183,702)	(10,803,957)
Provision released	-	284,282
31 December	(80,638,733)	(32,455,031)

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable. The allocation and release of provision for doubtful receivables have been included in other operating income and expenses in the special purpose consolidated statement of profit or loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Trade payables

Short term trade payables	2019	2018
Payables to suppliers	147,966,808	410,853,306
Notes payable	1,722,030	2,218,591
	149,688,838	413,071,897

Short term trade payables as of 31 December 2019 and 2018 have an average maturity of six months.

Nature and level of risks arising from trade receivables and payables are disclosed under Note 4.

NOTE 8 - INVENTORIES

	2019	2018
Fuel oil and Lube oil	32,328,138	23,509,511
Spare parts and consumables	8,508,816	5,753,861
Goods in transit (1)	1,284,566	-
	42,121,520	29,263,372

(1) Goods in transit are spare parts acquired for powership constructions.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 9 - PREPAID EXPENSE AND DEFERRED INCOME

Current prepaid expenses	2019	2018
Advances given ⁽¹⁾	27,080,927	28,513,487
Prepaid expenses ⁽²⁾	5,507,707	10,559,181
Contractual aquisition cost	3,247,149	4,187,666
Insurance expenses	3,211,006	8,609,417
	39,046,789	51,869,751
Non - current prepaid expenses	2019	2018
Contractual aquisition cost	13,281,275	16,911,275
Prepaid expenses ⁽²⁾	3,163,282	1,876,777
Advances given ⁽¹⁾	-	1,048,098
	16,444,557	19,836,150

(1) Advances given comprise payments made for purchases of property, plant and equipment and inventories.

(2) Prepayments to supplier balances is mainly related with consulting services received or to be received in relation to sale of energy conversion works in Lebanon.

Short-term deferred income	2019	2018
Advances received from customers ⁽¹⁾	16,851,433	14,320,648
	16,851,433	14,320,648
Long-term deferred income	2019	2018
Advances received from customers ⁽¹⁾	13,220,269	27,513,861
	13,220,269	27,513,861

(1) The Group signed agreements with Republic of Lebanon Ministry of Energy and Water for electricity sales through operating floating power plants. The major part of advance received balance amounting to USD 25,013,961 (2018: USD 39,307,653) belongs to advances received regarding these agreements.

NOTE 10 - OTHER ASSETS AND LIABILITIES

Other current assets	2019	2018
VAT receivables	90,379,764	82,484,628
Prepaid taxes	3,426,153	16,375,112
Income accrual	17,599,650	10,095,852
Other	546,281	786,841
	111,951,848	109,742,433
Other non-current assets	2019	2018
VAT receivables	3,030,555	-
	3,030,555	-
Other current liabilities	2019	2018
Expense accruals ⁽¹⁾	24,082,967	19,381,760
Taxes and funds payable	6,518,145	9,480,274
Payables to personnel	2,017,098	2,116,468
Other	240,369	356,166
	32,858,579	31,334,668

(1) Expense accruals comprise the services provided to the powerships in Lebanon, Ghana and Indonesia such as technical services, consultancy, food and bevarage, security and other supplies whose invoices are not received.

KARPOWER INTERNATIONAL B.V.

NOTES TO SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET

	1 January 2019	Additions (*)	Disposals	Transfers	Currency translation differences	Fair value change	31 December 2019
Cost:							
Land improvements	69,753,398	5,714,285	(11,376,692)	11,130,646	606,803	-	75,828,440
Floating power plants	2,644,766,939	22,531,063	(4,656,602)	184,568,171	2,196,429	169,139,931	3,018,545,931
Motor vehicles	37,413,380	47,723,408	(18,534,192)	(13,605,179)	(831,306)	-	52,166,111
Furniture and fixtures	13,118,945	2,474,833	(231,529)	(5,722,474)	(80,284)	-	9,559,491
Construction-in-progress ⁽¹⁾	446,321,866	227,903,826	(5,759,236)	(176,446,073)	(691,379)	-	491,329,004
	3,211,374,528	306,347,415	(40,558,251)	(74,909)	1,200,263	169,139,931	3,647,428,977
Accumulated depreciation and impairment:							
Land improvements	37,088,843	12,399,843	(9,532,769)	1,073	591,220	-	40,548,210
Floating power plants	394,226,944	87,423,331	(203,871)	(8,011)	(9,023)	-	481,429,370
Motor vehicles	10,623,874	5,701,488	(8,022)	-	(107,305)	-	16,210,035
Furniture and fixtures	2,886,681	1,388,919	(158,669)	(67,971)	8,822	-	4,057,782
	444,826,342	106,913,581	(9,903,331)	(74,909)	483,714	-	542,245,397
Net book value	2,766,548,186						3,105,183,580

(1) Construction in progress comprise ongoing floating power plant investments.

In the twelve month period ended at 31 December 2019, USD 4,475,087 (2018: USD 2,481,765) of depreciation and amortisation expense is accounted for under general administrative expenses and USD 102,460,203 (2018: USD 131,822,298) of the depreciation expense is accounted for under cost of sales

As of 31 December 2019, there are mortgages amounting to USD 2,825,844,723 on property, plant and equipment (2018: USD 2,983,812,726).

(*) Addition amounts consist of capitalized borrowing costs amounting to USD 13,194,301 and advance given amounting to USD 28,513,487 for the year ended 31 December 2019 (2018: USD 30,008,195 and USD 5,848,632).

Floating power plants are measured at their fair values as of 31 December 2019. The fair value of the Group's Floating power plants have been arrived by the accredited independent values whose appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The floating power plants have been classified within the third level of the fair value hierarchy.

KARPOWER INTERNATIONAL B.V.

NOTES TO SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

	1 January 2018	Additions	Disposals	Transfers	Currency translation differences	Fair value change	31 December 2018
Cost:							
Land improvements	65,291,993	2,665,253	-	5,543,964	(3,747,812)	-	69,753,398
Floating power plants	1,963,796,918	14,488,006	(15,597,906)	460,840,462	(3,408,775)	224,648,234	2,644,766,939
Motor vehicles	36,831,705	3,233,978	(6,702,303)	-	-	-	37,413,380
Furniture and fixtures	9,763,351	5,718,240	(3,933,550)	1,845,022	(274,118)	-	13,118,945
Construction-in-progress (1)	625,606,086	298,993,022	(7,546,543)	(468,229,448)	(2,501,251)	-	446,321,866
	2,701,290,053	325,098,499	(33,780,302)	-	(9,931,956)	224,648,234	3,211,374,528
Accumulated depreciation and impairment:							
Land improvements	30,291,358	7,121,008	-	(69,451)	(254,072)	-	37,088,843
Floating power plants	273,951,935	121,183,846	(807,906)	71,210	(172,141)	-	394,226,944
Motor vehicles	5,538,050	4,694,266	(319,048)	5,043	443,326	-	10,623,874
Furniture and fixtures	1,736,316	1,318,931	(131,438)	(6,802)	(30,326)	-	2,886,681
	311,517,659	134,318,051	(1,258,392)	-	(13,213)	-	444,826,342
Net book value	2,389,772,394						2,766,548,186

(1) Construction in progress comprise ongoing floating power plant investments.

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

The Group's power plants are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's power plants as at 31 December 2019 and 31 December 2018 were performed by independent valuers not related to the Group. Valuation company have appropriate qualifications and recent experience in the fair value measurement of power plants in the relevant locations.

The fair value of the power plants was determined based on the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation reserve' in shareholders' equity.

There has been no change to the valuation technique during the year.

	31 December 2019	Fair value as at 31 December 2019		
		Level 1 USD	Level 2 USD	Level 3 USD
Floating power plants	2,537,116,561	-	-	2,537,116,561
	31 December 2018	Fair value as at 31 December 2018		
		Level 1 USD	Level 2 USD	Level 3 USD
Floating power plants	2,250,539,995	-	-	2,250,539,995

NOTE 12 - BANK BORROWINGS

	2019		2018	
	Annual effective interest rate (%)	USD	Annual effective interest rate (%)	USD
USD denominated bank borrowings	4.25%	12,517,028	7.15%	5,006,951
EUR denominated bank borrowings	6.90%	16,346,041	-	-
USD denominated letter of credit		18,464,701		6,453,581
EUR denominated letter of credit		171,100,607		39,678,515
Short term bank borrowings		218,428,377		51,139,047
USD denominated bank borrowings	6.12%	413,291,994	8.18%	274,391,318
EUR denominated bank borrowings	6.00%	75,642,691	5.08%	32,576,041
Short term portion of long term borrowings		488,934,685		306,967,359
Total short term bank borrowings		707,363,062		358,106,406
USD denominated bank borrowings	6.53%	729,857,847	8.94%	924,333,402
EUR denominated bank borrowings	6.06%	110,884,404	5.15%	64,801,114
Long term bank borrowings		840,742,251		989,134,516
Total bank borrowings		1,548,105,313		1,347,240,922

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 12 - BANK BORROWINGS (Continued)

The borrowings are repayable as follows:

	2019	2018
Up to 3 months	134,533,731	82,493,083
3 - 12 months	572,829,331	275,613,323
1 - 5 years	840,742,251	989,134,516
	1,548,105,313	1,347,240,922

The movement of borrowings as of 31 December 2019 and 2018 are as follows:

	2019	2018
Opening	1,347,240,922	984,679,202
Addition	583,828,770	870,652,288
Payment	(381,633,975)	(510,599,688)
Foreign exchange gain	(790,876)	(6,500,780)
Change in interest accrual	(539,528)	9,009,900
	1,548,105,313	1,347,240,922

NOTE 13 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Guarantees received	2019	2018
Advance payment guarantee	166,956,775	226,821,889
Guarantee cheques received	1,386,908	696,492
Guarantee notes received	394,220	495,708
Guarantee letters received	254,064	83,535
	168,991,967	228,097,624

On 2 October 2019 and 29 August 2017 Karpowership Ghana has received guarantee letters amounting to USD 76,000,000 and USD 79,000,000 respectively (2018: USD 219,000,000) from Electricity Company of Ghana Limited. These guarantee letters expire on 29 September 2020, 31 July 2020 respectively.

Most of other advanced payment guarantees are received from main suppliers in return for the guarantees given in the normal course of business.

Guarantees given	2019	2018
Mortgages on floating power plant	2,825,844,723	2,983,812,726
Guarantees given on behalf of the related parties	1,178,607,304	1,082,562,193
Guarantees given to government		
due to performance obligations	50,972,525	61,903,488
Guarantee given to third parties	26,205,102	41,689,935
Guarantee letters given	1,376,335	22,066,115
Bid bonds	11,000,000	367,517
	4,094,005,989	4,192,401,974

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 14 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

Bank borrowings are secured by mortgages on Group's property, plant and equipment and breakdown of mortgages by degrees is as follows:

	2019	2018
First degree	2,547,905,933	2,751,940,993
Second degree	277,938,790	231,871,733
	2,825,844,723	2,983,812,726

Karpowership Lebanon has issued an irrevocable advance payment guarantee amounting to USD 26,205,102 (2018: USD 41,689,935 as of 31 December 2019) in favour of the Republic of Lebanon in return for the advance payment received from Electricite du Liban under the electricity generation services contract with the Republic of Lebanon. The advance payment guarantee expires on 30 March 2022.

Karpowership Lebanon has issued a performance bond amounting to USD 28,578,384 (2018: USD 42,881,076) as of 31 December 2019 in favour of Electricite du Liban represented by Ministry of Energy and Water of the Government of the Republic of Lebanon under the electricity generation services contract with the Republic of Lebanon dated 19 October 2018. The maturity date of the bond is 31 December 2021.

PT Indonesia has issued a performance bond amounting to IDR 170,105,184,000 (USD 12,252,124) (2018: IDR 170,105,184,000 (USD 12,549,618)) as of 31 December 2019 in favour of PT PLN (Persero) regarding the electricity generation services contract. The maturity dates of the bonds are between 9 March 2020 and 16 September 2020.

In accordance with the agreements related to operating leases of floating power plants, total "take or pay" income on the basis of allocation of capacity for the contract periods is amounting to USD 3,837,363,497. USD 837,482,531 of such income was to be recognised in 2020, and the remaining part of USD 2,999,880,966 is to be recognised in the period between 2021 and 2030.

NOTE 15 - EQUITY

Share capital

The Group's authorized and issued capital consists of 1,362,898 shares issued on bearer with a nominal value of USD 624.84 each (2018: 914,244) shares issued on bearer with a nominal value of USD 624.84). The Group does not have any preferred stock.

Shareholders has paid in cash and issued capital at amounting to USD 135,000,000, USD 9,837,000, USD 16,000,000, USD 7,500,000, USD 17,000,000, USD 80,000,000 and USD 15,000,000 respectively at 22 January 2019, 1 February 2019, 27 March 2019, 20 May 2019, 28 June 2019, 19 September 2019 and 30 December 2019.

The Group's shareholders and their shareholding at 31 December 2019 and 2018 are as follows:

	2019		2018	
	USD	Share (%)	USD	Share (%)
Karkey Karadeniz Elektrik Üretim A.Ş. ("Karkey")	851,685,010	100	571,348,010	100
Share capital	851,685,010		571,348,010	
Total capital	851,685,010		571,348,010	

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 15 – EQUITY (Continued)**Revaluation fund**

The movements of revaluation funds of floating power plants are as follows:

	2019	2018
1 January	639,029,368	426,480,702
Revaluation of floating power plants (Note 11)	169,139,931	224,648,234
Transfer of depreciation of revalued powerships	(14,242,894)	(12,099,568)
31 December	793,926,405	639,029,368

The movements of non-controlling interests are as follows:

	2019	2018
1 January	294,640	125,763
Share of profit for the year	(209,150)	168,877
Changes in ownership rates	36,250,000	-
31 December	36,335,490	294,640

NOTE 16 – INVESTMENTS*Financial assets measured at*

<i>amortised cost</i>	2019	2018
Government bonds	33,304,543	-
Blocked deposits	54,250,000	2,530,975
Total investments	87,554,543	2,530,975

The investments in listed corporate bond issued by Government of Ghana are paying a coupon rate of 17.60% and the bonds will mature on 22 January 2020. Nominal value of the bond approximates fair value. The corporate bonds are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets.

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 17 - REVENUE AND COST OF SALES

	2019	2018
Floating power plants rent income	726,634,171	695,711,949
Sales of fuel	331,075,255	528,064,670
Sales of trade goods and spare parts	-	3,119,199
Other (1)	6,440,299	1,873,169
	1,064,149,725	1,228,768,987

(1) Other sales primarily comprise of service income to non-consolidated companies.

Cost of sales	2019	2018
Fuel, spare parts and consumables	349,521,421	523,452,760
Depreciation (Note 11)	102,460,203	131,822,291
Personnel expenses	49,794,605	48,087,708
Insurance expenses	19,342,540	20,356,779
Consultancy expenses (1)	4,044,493	6,580,194
Transportation, shipment and travel expenses	8,203,002	5,989,107
Rent expenses	1,638,506	1,768,093
Repair maintenance expenses	517,044	1,135,983
Other (2)	30,619,754	20,881,741
	566,141,568	760,074,656

(1) Consultancy expenses comprise of legal and tax advisory.

(2) Other cost of sales expenses comprise of powership operations, embarkments, sludge, sea store expenses etc

NOTE 18- GENERAL ADMINISTRATIVE EXPENSES

	2019	2018
Consultancy expenses	48,781,989	27,890,792
Personnel expenses	8,929,578	10,423,164
Depreciation and amortisation (Note 11)	4,475,087	2,481,765
Travel and transportation expenses	2,077,576	1,181,996
Other (1)	7,839,113	6,610,878
	72,103,343	48,588,595

(1) Other general administrative expenses comprise of utility expenses, rent expenses tax and duty, food and beverage expenses, representation expenses etc.

The functional breakdown of depreciation and amortisation expenses is as follows:

Depreciation and amortisation expenses	2019	2018
Cost of sales	102,460,203	131,822,291
General administrative expenses	4,475,087	2,481,765
	106,935,290	134,304,056

The functional breakdown of personnel expenses is as follows:

Personnel expenses	2019	2018
Cost of sales	49,794,605	48,087,708
General administrative expenses	8,929,578	10,423,164
	58,724,183	58,510,872

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	2019	2018
Foreign exchange gains from trade payables and receivables	29,025,989	31,742,544
Gain on insurance claim	8,330,071	-
Interest income from trade receivables	7,268,641	10,091,677
Gain on sale of property, plant and equipment	141,902	3,634,957
Other	11,939,662	6,500,060
	56,706,265	51,969,238

Other operating expenses	2019	2018
Foreign exchange losses from trade payables and receivables	12,032,819	23,716,162
Expected credit loss (Note 7)	48,183,702	10,519,675
Contractual acquisition expenses	4,570,513	2,737,395
Other	7,619,949	9,188,575
	72,406,983	46,161,807

NOTE 20 - FINANCIAL INCOME AND EXPENSES

Financial income	2019	2018
Foreign exchange gains	698,398	2,691,269
Interest income	1,778,567	1,677,843
	2,476,965	4,369,112

Financial expenses	2019	2018
Interest expenses	126,075,581	100,062,934
Less: amounts included in cost of qualifying asset	(13,194,301)	(28,513,487)
	112,881,280	71,549,447
Commission expenses ⁽¹⁾	9,059,524	13,870,278
Foreign exchange losses	314,917	825,231
	122,255,721	86,244,956

(1) Commission expenses comprise of commissions for guarantee letters and borrowings obtained.

NOTE 21 - TAXES ON INCOME

	2019	2018
Current tax expenses (*)	(27,781,465)	(35,345,160)
Deferred tax income / (expense)	84,934	(378,564)
	(27,696,531)	(35,723,724)

(*) Remaining prepaid taxes in the special purpose consolidated financial statements are classified under other current assets (Note 10), stemming from different subsidiaries of the Group, operating in different taxation jurisdictions.

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 21 - TAXES ON INCOME (Continued)

The principal tax rates for each country are as follows:

Country	Corporate tax rate (%)	
	2019	2018
Mozambique	32.00	32.00
Sierra Leone	30.00	30.00
Gambia	27.00	27.00
Ghana	25.00	25.00
Indonesia	25.00	25.00
Turkey	22.00	22.00
The Netherlands	20.00	20.00
Singapore	17.00	17.00
Lebanon ⁽¹⁾	17.00	17.00
Northern Cyprus	1.00	1.00
Malta	35.00	35.00
Senegal	30.00	30.00
Isle of Man	-	-
Marshall Islands	-	-
United Arab Emirates	-	-

(1) Calculated over 17% of 15% of collection excluding VAT.

The reconciliation of tax expense disclosed in the special purpose consolidated statement of comprehensive income and tax expense calculated using enacted tax rate over income before tax for the twelve-month periods ended 31 December 2019 and 2018 is as follows:

Deferred income tax

	2019	2018
Profit before taxation on income	290,150,920	344,034,821
Expected tax charge at the applicable tax rate (20%)	(58,030,184)	(68,806,964)
Effect of tax exemption, the rate differences and other reconciling items	30,333,653	33,083,240
Current period tax expense	(27,696,531)	(35,723,724)

The Group recognizes deferred income tax assets and liabilities based upon the temporary differences between its financial statements as reported in accordance with IFRS and its statutory tax financial statements. For the calculation of deferred income tax asset and liabilities resulted from the temporary differences, above mentioned tax rates are applied for each subsidiary.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2019 and 2018, using enacted tax rates at the balance sheet dates, are as follows:

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 21 - TAXES ON INCOME (Continued)

Deferred income tax (Continued)

	Total temporary differences		Deferred tax assets/(liabilities)	
	2019	2018	2019	2018
Unused vacation	455,167	364,603	91,033	72,921
Trade receivables	46,450	46,450	9,290	9,290
Property, plant and equipment	889,847	129,745	163,022	25,949
Deferred income tax assets	1,391,464	540,798	263,345	108,160
Provision for employment termination benefits	(249,649)	(243,450)	(49,930)	(48,690)
Property, plant and equipment	(485,327)	(1,564,939)	(97,065)	(339,419)
Deferred income tax liabilities	(734,976)	(1,808,389)	(146,995)	(388,109)
Deferred income tax liabilities, net	656,488	(1,267,591)	116,350	(279,949)

The movements of deferred income taxes are as follows:

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Since the effective tax rate is zero for the most of the significant temporary differences, the group has recognized limited amount of deferred tax asset or liability.

	2019	2018
1 January	(279,949)	(527,418)
Charged to profit or loss	84,934	(378,564)
Credited to other comprehensive income	(142,111)	(10,472)
Currency translation differences	453,476	636,505
31 December	116,350	(279,949)

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties:

Due from related parties	2019	2018
Karmol LNG Company Limited	30,894,188	11,410,000
Karen Dış Ticaret ve Enerji A.Ş.	14,973,963	10,691
Karpowership (Cyprus) Company Limited	12,070,547	-
Karkey Karadeniz Elektrik Üretim Anonim Şirketi	2,654,314	426,846
Orhan Remzi Karadeniz	227	6,067,177
Other	4,898,835	124,154
	65,492,074	18,038,868

Due from related party balances consist of USD 37,486,187 (2018: USD 17,605,719) receivables related with financing activities.

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**i) Balances with related parties (Continued):**

Due to related parties	2019	2018
Karadeniz Holding Anonim Şirketi	1,449,846	19,868,858
Karkey Karadeniz Elektrik Üretim Anonim Şirketi	13,724,115	299,738
Other	1,260,745	429,677
	16,434,706	20,598,273

Due to related party balances consist of USD 13,729,546 (2018: USD 19,735,113) payables related with financing activities. Other payables doesn't contain interest related to financing activities.

ii) Sales and purchases of goods/services:

The transactions with related parties for the years ended 31 December 2019 and 2018 are as follows:

a) Sales to related parties:	2019	2018
Karen Dış Ticaret ve Enerji A.Ş.	38,561,338	-
Karkey Karadeniz Elektrik Üretim Anonim Şirketi	3,717,481	2,223,291
Karmol LNG Company Limited	401,549	-
Other	63,092	59,130
	42,743,460	2,282,421

b) Purchase of goods and services from related parties:	2019	2018
Karadeniz Holding Anonim Şirketi	1,988,713	2,395,037
Karen Dış Ticaret ve Enerji A.Ş.	1,323,834	-
Pamuk Gayrimenkul Yatırımları A.Ş.	637,109	-
Karyek Karadeniz Elektrik Üretim A.Ş.	773,211	-
	4,722,866	2,395,037

c) Financial income from related parties:	2019	2018
Karmol LNG Company Limited	583,488	-
Karkey Karadeniz Elektrik Üretim Anonim Şirketi	89,976	132,196
Karadeniz Holding Anonim Şirketi	15,536	-
	689,000	132,196

d) Financial expenses to related parties:	2019	2018
Karadeniz Holding Anonim Şirketi	1,329,258	5,914,909
Karkey Karadeniz Elektrik Üretim Anonim Şirketi	819,805	854,966
	2,149,063	6,769,875

KARPOWER INTERNATIONAL B.V.**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**iii) Key management compensation**

The Group classifies the member of board of directors, director, coordinator and general manager as key management personnel. Total compensation provided to key management personnel by the Group for the year amounts to USD 2,316,926 (2018: USD 1,673,362). The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits in the periods 1 January - 31 December 2019 and 2018.

NOTE 23 - INVESTMENTS ON A JOINT VENTURE

According to the agreement which has signed between Karpower International B.V. and Mitsui O.S.K. Lines Ltd. as at 13 November 2018, Karmol LNG Company Limited has been established. The parties formed a partnership for business opportunities relating to LNG to Powership Project in Mozambique.

	2019		2018	
	USD	Share (%)	USD	Share (%)
Karmol LNG Company Limited	8,821,529	50.00	4,896,797	50.00
	8,821,529		4,896,797	

Relating to investment in associate, total assets and liabilities and profit/ (loss) for the period of as of 31 December 2019 and 2018 are as follows:

	2019	2018
Current Asset	22,356,122	12,614,996
Non-Current Asset	64,723,644	20,017,171
Current Liabilities	(13,845,233)	(7,017,171)
Non-Current Liabilities	(54,788,376)	(15,820,000)
Net Assets	18,446,157	9,794,996
Proportion of the Group's ownership interest in the joint venture	50%	50%
Other adjustments(*)	(401,550)	(701)
	8,821,529	4,896,797

(*) The amount consist of the service provided by the Group (31 December 2018: the amount consist of unpaid capital balance)

	2019	2018
Revenue	-	-
Loss for the year	(548,838)	(5,004)
Proportion of the Group's ownership interest in the joint venture	50%	50%
	(274,419)	(2,502)

KARPOWER INTERNATIONAL B.V.

NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 23 - INVESTMENTS ON A JOINT VENTURE (Continued)

	2019	2018
Group's Share of Gain / (Loss) for the period	(274,420)	(2,502)
	(274,420)	(2,502)

The movement of investments in associate for the years ended as of 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	4,896,797	-
Capital increase	4,600,701	4,900,700
Unpaid capital	-	(1,401)
Gain / (Loss) from associates	(274,420)	(2,502)
Service provided by the Group	(401,549)	-
31 December	8,821,529	4,896,797

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, the World Health Organization declared that the coronavirus outbreak became a global health emergency, first beginning in China and subsequently spreading to other countries. Accordingly, the economy in which Group is operating may be affected due to certain developments in relation to this novel strain of coronavirus. Such a health outbreak could slow economies and could result as an adverse impact to operating results or increase in expected credit losses. The duration and intensity of the impact of the coronavirus and resulting disruption to the Group's operations is uncertain and it is unknown whether or how they may be affected for an extended period. While not yet quantifiable, the Group continues to assess the financial impact of this situation to its operating results for the remainder of the year.

Karpower International B.V paid to USD 126,000,000 dividend to Karkey Karadeniz Elektrik A.Ş. in 2020.

KPS 24 Karadeniz Powership İbrahim Bey has arrived to Conakry and started operations on 14 February 2020.

Karpowership LNG Solutions DMCC and One World Marine DMCC companies has been established in 17 March 2020.

Karpowership Conakry (Succursale) has been established in 25 February 2020.

KARPOWER INTERNATIONAL B.V.

**NOTES TO THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019**

(Amounts expressed in US Dollars ("USD") unless otherwise indicated.)

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD (Continued)

Karpower International DMCC has sold KPS 82 Karmol LNGT Powership Anatolia powership at amounting to USD 31,000,000.

Koray Bey Company and Gambia National Water and Electricity Company ("NAWEC") extended the Power Purchase Agreement on 2 May 2020 for 48 months.

NOTE 25 APPROVAL OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

These special purpose consolidated financial statements as of and for the period between 1 January - 31 December 2019 have been approved and signed on 5 June 2020 on behalf of the Board of Directors by Orhan Remzi Karadeniz, Managing Director of Karpower International B.V.