Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements
As At and For The Year Ended
31 January 2020

With Independent Auditor’s Report on
Consolidated Financial Statements Thereon

12 March 2020

This report includes 8 pages of independent auditor’s report and 85 pages of consolidated financial statements together with their explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Table of Contents

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Independent Auditors' Report

To the Shareholders of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mavi Giyim Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 January 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 January 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, 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.

Key Audit Matters

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

Revenue recognition

Refer to the Note 2.5 (j) for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily generated from retail sales. In addition to retail sales, the Group generates revenue from wholesale and export sales. Due to the accuracy of revenue recognised from retail sales in the consolidated financial statements by information technology ("IT"), complexity of these systems and the large volume of data processed by these systems, revenue recognition has been identified as one of the key audit matters.	Our audit procedures for testing the revenue recognition included the following: - Evaluating the appropriateness of the revenue recognition policy of the Group; - Evaluating, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; • key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls, • key internal IT controls over the completeness and accuracy of rating and bill generation and the end-to-end reconciliation controls from the rating and billing systems to the accounting system, • Testing the integration between IT infrastructure of cash register transaction system and accounting system. - Assessing the timing of revenue recognition and in compliance with accounting policies by examining the transfer of the control through the sales documents obtained for the sales transactions tested on a sample basis.

Key Audit Matters (continued)

Revenue recognition (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
In addition, the recognition of revenue in the period when the sales is realized is attributable to the assessment whether the product is related with the sales contract. Since sales contracts' structures might be complex, significant judgements must be made while choosing the accounting policy for each condition. Since the timing of revenue recognition requires significant judgements due to the complexity of sales contracts, accounting of wholesale and export sales has been identified as one of the key audit matters.	- Sales contracts with customers have been reviewed and controlled on a sample basis, - By examining the incoterms on the sales documents; assessing the timing of revenue recognition due to variety of shipping arrangements, - Obtaining confirmation letters for trade receivables on a sample basis and checking whether confirmed amount is in line with financial statements, - Performing analytical procedures for the amount of revenue to determine the existence of unusual and one-off transactions, - Testing subsequent period sales returns on a sample basis in order to determine whether the revenue has been appropriately and accurately recognized in the correct reporting period. - The disclosures in the consolidated financial statements in relation to the application of IFRS 15 is tested and the adequacy of such disclosures are evaluated.

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Key Audit Matters (continued)

Inventory impairment provision

Refer to the Note 2.5 (d) and Note 9 for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit
The Group's inventories include a risk of impairment due to changes in consumer demands and fashion trends. The provision for the impairment of inventories has been identified as one of the key audit matters since the inventory balance is significant in the consolidated financial statements and computation of inventory impairment provision involves management judgments and estimates.	Our audit procedures for testing the impairment on inventories included the following: - Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, - Inquiry with the Group management about the risk of impairment as a result of changes in customer demands and fashion trends, - Comparison of current inventory turnover rates to prior periods, - Evaluation of adequacy of the provision for impairment on inventories through comparing with prior periods, - Evaluation of the accuracy and completeness of the inventory reports which are used to calculate the provision for inventories, - Testing the net selling prices used in the calculation of the net realizable value of inventories on a sample basis, - Observation of obsolete and damaged inventories during the inventory counts. - The disclosures in the consolidated financial statements in relation to the inventory impairment provision is tested and the adequacy of such disclosures are evaluated.

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Key Audit Matters (continued)

Impairment of goodwill

Refer to the Note 2.5 (c) and Note 13 for the relevant accounting policy and disclosures

Key audit matters	How the matter was addressed in our audit
As at 31 January 2020 the goodwill recognized in the consolidated financial statements amounted to TL 154.398 thousand. Goodwill amounting to TL 137.083 thousand is allocated to Mavi United States, goodwill amounting to TL 13.582 thousand is allocated to Mavi Canada and the remaining amount of goodwill is allocated to other subsidiaries. Goodwill which has indefinite useful life should be tested for impairment annually. In performing impairment assessments, management compared the carrying value of each of the separately identifiable cash generating units ("CGUs") to which goodwill had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized. The recoverable amount of CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital ("WACC"). These estimates and assumptions are highly sensitive to the expected future market conditions. We identified this issue as a key audit matter because the carrying amount of goodwill is material to the consolidated financial statements and also because of the significant judgment required in determining the assumptions to be used by the management to estimate the recoverable amount.	Our audit procedures for testing the impairment on goodwill included the following: - Evaluating management forecasts and future plans based on macroeconomic information, - Checking the arithmetical accuracy of the underlying calculations and the modeling of the discounted cash flow analysis, - Involving valuation specialist to assist in evaluating the appropriateness of discount rates applied, which included comparing the WACC with sector averages for the relevant markets in which the CGU's operate; - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

Key Audit Matters (continued)

Initial application of IFRS 16 Leases

Refer to the Note 2.3 and Note 14 for the relevant accounting policy and disclosures

Key audit matters	How the matter was addressed in our audit
The Group has initially adopted IFRS 16 "Leases" as of 1 February 2019 and preferred the simplified transition method in the first time adoption of IFRS 16 and not restated comparative consolidated financial statements. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 469.292 thousand of right of use assets as at 1 February 2019. The amounts recognized as a result of the adoption of IFRS 16 are significant for the consolidated financial statements. In addition, the measurement of the right of use assets and financial lease liabilities are based on significant estimates and assumptions of the management. The substantial part of these estimates are interest rates used to discount cash flows and assessment of options to extend or terminate lease contracts. Nevertheless, the notes to the consolidated financial statements of the Group as of 31 January 2020 are significantly affected by the application of IFRS 16. Therefore, the impacts of the first time adoption of IFRS 16 on the consolidated financial statements and the notes to the consolidated financial statements are determined as a key audit matter for our audit.	We have performed the following audit procedures to be responsive to this area: - Assessing the appropriateness of transition process of right of use assets and lease liabilities in accordance with IFRS 16. - Through our discussions with the Group Management, understanding the Group's process in identifying lease contracts, or contracts contained leases. - Reading a sample of contracts to assess whether leases have been appropriately identified. - Assessing the appropriateness of Group's accounting policies for right of use assets and lease liabilities in accordance with IFRS 16. - Obtaining the Group's quantification of right of use assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed re-calculation checks. - Evaluating the appropriateness of the associated disclosures in the consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

İsmail Önder Ünal
Partner
12 March 2020
İzmir, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statements of Financial Position

As at 31 January 2020

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

		Audited	**Audited**
	Notes	**31 January 2020**	**31 January 2019**
ASSETS			
Current assets			
Cash and cash equivalents	*4*	310,838	266,571
Trade receivables		231,101	168,593
- Due from third parties	*7*	*231,101*	*168,593*
Other receivables		17,267	17,059
- Due from third parties	*8*	*17,267*	*17,059*
Inventories	*9*	496,064	457,229
Derivatives	*32*	1,214	--
Prepayments	*10*	41,761	37,985
Current tax assets	*30*	2,701	15,805
Other current assets	*19*	17,726	22,070
Total current assets		**1,118,672**	**985,312**
Non-current assets			
Other receivables		3,207	2,411
- Due from third parties	*8*	*3,207*	*2,411*
Property and equipment	*11*	180,719	159,739
Right of use assets	*14*	406,679	--
Intangible assets		222,449	194,454
- Other intangible assets	*12*	*68,051*	*57,576*
- Goodwill	*13*	*154,398*	*136,878*
Prepayments	*10*	115	114
Deferred tax assets	*30*	5,583	1,880
Total non-current assets		**818,752**	**358,598**
TOTAL ASSETS		**1,937,424**	**1,343,910**

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position (continued)
As at 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

		Audited	**Audited**
	Notes	**31 January 2020**	**31 January 2019**
LIABILITIES			
Current liabilities			
Short term borrowings	*5*	74,748	79,742
Short term contractual lease liabilities	*5*	197,954	--
- Due to related parties	*6*	*1,553*	--
- Due to third parties		*196,401*	--
Short portion of long term borrowings	*5*	160,946	204,317
Trade payables		597,283	510,284
- Due to related parties	*6*	*196,804*	*155,105*
- Due to third parties	*7*	*400,479*	*355,179*
Payables to employees	*18*	34,714	32,512
Other payables		6,971	16,534
- Due to related parties	*6*	*126*	*10,330*
- Due to third parties	*8*	*6,845*	*6,204*
Deferred revenue	*10*	18,917	17,086
Provisions		16,565	13,034
- Provisions for employee benefits	*15*	*3,118*	*2,679*
- Other provisions	*15*	*13,447*	*10,355*
Derivatives	*32*	--	9,577
Current tax liabilities	*30*	6,935	2,732
Other current liabilities	*19*	7,992	11,116
Total current liabilities		**1,123,025**	**896,934**
Non-current liabilities			
Loans and borrowings	*5*	84,098	91,985
Long term contractual lease liabilities	*5*	240,769	--
- Due to related parties	*6*	*3,229*	--
- Due to third parties		*237,540*	--
Deferred revenue	*10*	3,405	119
Provisions		7,931	5,018
- Provisions for employee benefits	*15,17*	*7,931*	*5,018*
Deferred tax liabilities	*30*	532	12,686
Total non-current liabilities		**336,735**	**109,808**
TOTAL LIABILITIES		**1,459,760**	**1,006,742**

The accompanying notes from an integral part of these consolidated financial statements

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statements of Financial Position (continued)

As at 31 January 2020

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

	Notes	Audited 31 January 2020	Audited 31 January 2019
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	*20*	49,657	49,657
Purchase of share of entities under common control		(35,757)	(35,757)
Other comprehensive expense not to be reclassified to profit or loss		(5,337)	(4,460)
Remeasurement of defined benefit liability		*(5,337)*	*(4,460)*
Other comprehensive income to be reclassified to profit or loss		88,960	56,477
Foreign currency translation reserve		*88,013*	*63,935*
Hedging reserve		*947*	*(7,458)*
Legal reserves		19,771	19,771
Retained earnings		248,086	156,569
Net Income		94,844	91,517
Non-controlling interests		**17,440**	**3,394**
Total equity		**477,664**	**337,168**
TOTAL EQUITY AND LIABILITIES		**1,937,424**	**1,343,910**

The accompanying notes from an integral part of these consolidated financial statements

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	**Audited** **1 February 2019 – 31 January 2020**	**Audited** **1 February 2018 – 31 January 2019**
Revenue	*21*	2,862,882	2,352,850
Cost of sales	*22*	(1,458,268)	(1,144,905)
Gross profit		**1,404,614**	**1,207,945**
Administrative expenses	*23*	(161,960)	(128,097)
Selling, marketing and distribution expenses	*23*	(857,177)	(762,145)
Research and development expenses	*24*	(25,858)	(22,448)
Other operating income	*25*	10,176	12,243
Other operating expenses	*25*	(7,793)	(10,026)
Operating profit		**362,002**	**297,472**
Gains from investment activities	*26*	105	--
Losses from investment activities	*26*	(913)	(359)
Operating profit before finance costs		**361,194**	**297,113**
Finance income	*28*	8,424	4,869
Finance costs	*29*	(232,093)	(169,629)
Net finance costs		**(223,669)**	**(164,760)**
Profit before tax		**137,525**	**132,353**
Income tax expense	***30***	**(29,638)**	**(31,579)**
- Tax expense		(49,313)	(27,625)
- Deferred tax income / expense		19,675	(3,954)
Net profit		**107,887**	**100,774**
Non-controlling interests		13,043	9,257
Owners of the Company		94,844	91,517
Earnings per share	***31***	**1.9100**	**1.8430**
Earnings before interest, tax, depreciation and amortization (EBITDA)	***37***	**644,390**	**367,130**

The accompanying notes from an integral part of these consolidated financial statements

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 January 2020
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	**Audited** **1 February 2019 – 31 January 2020**	**Audited** **1 February 2018 – 31 January 2019**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	17	(1,124)	878
- Deferred tax income/expense	30	247	(193)
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		25,081	36,859
Cash flow hedging reserves		10,776	(10,403)
- Deferred tax income/expense	30	(2,371)	2,289
Other comprehensive income net of tax		**32,609**	**29,430**
Total comprehensive income		**140,496**	**130,204**
Total comprehensive income attributable to:			
Non-controlling interests		14,046	7,491
Owners of the Company		126,450	122,713

The accompanying notes from an integral part of these consolidated financial statements

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Changes In Equity

For the year ended 31 January 2020

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

				Other comprehensive income that will not reclassified to profit or loss	Other comprehensive income that will reclassified to profit or loss		Retained earnings				
	Share capital	Legal reserves	Purchase of share of entities under common control	Remeasurement of defined benefit liability	Foreign currency translation reserve	Hedging reserve	Retained earnings	Net profit	Attributable to owners of the Company	Attributable to non-controlling interest	Total equity
Balance as at 1 February 2018	**49,657**	**17,427**	**(35,757)**	**(5,145)**	**25,310**	**656**	**111,717**	**85,871**	**249,736**	**(2,555)**	**247,181**
Transfers	--	--	--	--	--	--	85,871	(85,871)	--	--	--
Acquisition of NCI (Note 2.7)	--	--	--	--	--	--	(12,965)	--	(12,965)	(1,542)	(14,507)
Dividend payment	--	2,344	--	--	--	--	(28,269)	--	(25,925)	--	(25,925)
Amendments to IFRS 9	--	--	--	--	--	--	215	--	215	--	215
Total comprehensive income	--	--	--	685	38,625	(8,114)	--	91,517	122,713	7,491	130,204
Total balance as at 31 January 2019	**49,657**	**19,771**	**(35,757)**	**(4,460)**	**63,935**	**(7,458)**	**156,569**	**91,517**	**333,774**	**3,394**	**337,168**
Balance as at 1 February 2019	**49,657**	**19,771**	**(35,757)**	**(4,460)**	**63,935**	**(7,458)**	**156,569**	**91,517**	**333,774**	**3,394**	**337,168**
Transfers	--	--	--	--	--	--	91,517	(91,517)	--	--	--
Total comprehensive income	--	--	--	(877)	24,078	8,405	--	94,844	126,450	14,046	140,496
Total balance as at 31 January 2020	**49,657**	**19,771**	**(35,757)**	**(5,337)**	**88,013**	**947**	**248,086**	**94,844**	**460,224**	**17,440**	**477,664**

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

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

		Audited	Audited
Cash flow from operating activities	***Notes***	**31 January 2020**	**31 January 2019**
Net profit for the year		**107,887**	**100,774**
Adjustments for:			
Depreciation and amortization expense	11,12,14,27	280,254	69,723
Finance income	28	(6,254)	(4,665)
Finance costs	29	225,870	114,554
Provision for unused vacation	15	1,207	690
Provision for employee severance indemnity	17	9,274	4,963
Fair value change of derivatives	29	865	45,774
Impairment losses on receivables	34	362	330
Interest (income)/expense on trade payables	25	5,276	(8,696)
Expected credit losses	25	(290)	392
Inventory obsolescence	9	8,984	(1,913)
Short term and long term provisions	15	4,217	2,772
Losses on sale of property and equipment	26	808	359
Tax expenses	30	29,638	31,579
Unrealized currency translation differences		5,438	(8,022)
		673,536	**348,614**
Changes in:			
Change in trade receivables		(63,706)	(59,680)
Change in inventory		(48,467)	(136,493)
Change in prepaid expenses		(5,719)	(14,635)
Change in other receivables		(973)	7,682
Change in other current and non-current assets		4,344	(8,894)
Change in employee benefits liabilities		2,202	14,431
Change in trade payables		40,024	120,091
Change in payables to related parties		41,745	32,433
Change in deferred revenue		5,118	1,998
Change in other payables		641	5
Change in short term and long term provisions		(1,539)	(707)
Change in other liabilities		(3,340)	5,240
		643,866	**310,085**
Employee benefits paid	15,17	(8,666)	(4,547)
Income tax paid	30	(32,006)	(44,991)
Net cash from operating activities		**603,194**	**260,547**
Cash flows from investing activities			
Acquisition of tangible assets	11	(79,767)	(57,088)
Proceeds from sale of tangible assets		94	393
Acquisition of intangible assets	12	(20,822)	(9,007)
Acquisition of subsidiary, net of cash acquired		(11,088)	(14,507)
Interest received		6,224	4,681
Net cash flow used in investing activities		**(105,359)**	**(75,528)**
Proceeds from loans and borrowings		561,470	294,152
Repayment of loans and borrowings		(608,685)	(303,798)
Payments of contractual lease liabilities		(243,461)	--
Proceeds of settlement of derivatives		(881)	(41,409)
Other financial payments	29	(78,213)	(68,347)
Dividend paid		--	(25,925)
Interest paid		(79,250)	(40,143)
Net cash flow used in financing activities		**(449,020)**	**(185,470)**
Net increase in cash and cash equivalent		**48,815**	**(451)**
Cash and cash equivalents at the beginning of the year	**4**	**262,023**	**262,474**
Cash and cash equivalents at the end of the year	**4**	**310,838**	**262,023**

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

Notes to the consolidated financial statements

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

1 Reporting entity

Mavi Giyim Sanayi ve Ticaret A.Ş. (the "Company" or "Mavi Giyim"), established in 1991, engages in wholesale and retail sales of ready-to-wear denim apparel. The product range includes knit and woven shirts, t-shirts, sweaters, jackets, skirts, dresses, accessories and denim bottoms for men, women and children.

The Company's registered office is Sultan Selim Mahallesi, Eski Büyükdere Caddesi, No. 53, 34418 Kağıthane Istanbul/Turkey.

Export sales operations started in 1994. Mavi Giyim has offices and showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Leipzig, Zurich, Salzburg, Prague, Brussels, Almere, Moscow, New York, New Jersey, Los Angeles, Atlanta, Dallas, Vancouver, Toronto and Montreal.

Shares of the Company has been traded at Borsa Istanbul ("BIST") since 15 June 2017. As of 31 January 2020, the Company's main shareholders are Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital (31 January 2019: Blue International Holding B.V., which owns 0.22% of the Company's share capital, and Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar, each of whom own 9.062% of the Company's share capital). Blue International Holding B.V. is controlled by Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar.

The consolidated financial statements as at 31 January 2020 include financial position and the results of Mavi Giyim, Mavi Europe AG ("Mavi Europe"), Mavi Nederland BV ("Mavi Nederland") and Mavi LLC ("Mavi Russia"), Eflatun Giyim Yatırım Ticaret Anonim Şirketi ("Eflatun Giyim"), Mavi Jeans Incorporated ("Mavi Canada"), Mavi Jeans Incorporated ("Mavi United States of America ("USA"), Mavi Kazakhstan LLP and its subsidiaries are referred here as the "Group" and individually "the Group entity" in this report.

The ownership interest of and voting power held by the Company as at and for the years ended 31 January 2020 and 2019 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2020	**31 January 2019**
Mavi Europe	Germany	Wholesale and retail sales of apparel	100.00	100.00
Mavi Nederland	Netherland	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Mavi USA	USA	Wholesale and retail sales of apparel	51.00	51.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi Canada	Canada	Wholesale and retail sales of apparel	63.25	63.25
Mavi Kazakhstan (1)	Kazakhstan	Retail sales of apparel	100.00	100.00

(1) Mavi Kazakhstan is in the liquidation process and does no longer proceed any operations as of 31 October 2015. Mavi Kazakhstan financials have not been consolidated since its operations insignificant in terms of consolidated financial statements, as of 31 January 2020.

As of 31 January 2020, Group's total number of employees is 4,086 (31 January 2019: 3,911).

2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.

The consolidated financial statements were authorised for issue by the Board of Directors on 12 March 2020. General Assembly and other regulatory instutitions have the authority to modify the consolidated financial statements.

(b) Basis of measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in Note 2.5 (q).

(c) Functional and presentation currency

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") which is the Company's functional currency. The 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 accompanying consolidated financial statements are presented in TL which is the Company's functional currency except when the otherwise indicated.

The table below summarises functional currencies of the Group entities.

Company	**Functional currency**
Mavi Giyim	TL
Mavi Europe	Euro ("EUR")
Mavi Nederland	EUR
Mavi Russia	Rouble ("RBL")
Eflatun Giyim	TL
Mavi USA	US Dollars ("USD")
Mavi Canada	Canada Dollars ("CAD")

2 Basis of presentation of financial statements *(continued)*

2.1 Basis of presentation *(continued)*

(d) Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment is included in the following notes:

- Note 7 Trade receivables: Allowance for doubtful receivables.
- Note 9 Inventory: Allowance for inventory impairment.
- Note 10 Deferred revenue: Estimation of loyalty credits that can be redeemed in the next years.
- Note 11 and 12 Property equipment and and intangibles: Useful lives.
- Note 12 and 13 Impairment of intangible assets including goodwill: Key assumptions, underlying recoverable amounts.
- Note 15 and 17 Provision for employee termination benefits: Key actuarial assumptions.
- Note 15 Provisions for sales returns: Estimation of return, provision for upcoming months using the historical data.

2.2 Basis of consolidation

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the parent company and its subsidiaries on the basis set out in the section below.

Subsidiaries are consolidated based on the following methods:

- Mavi Russia, Mavi Nederland and Mavi Europe are fully consolidated without non-controlling interest.

- Eflatun Giyim, Mavi Canada and Mavi USA are fully consolidated. Non-controlling interest has been accounted for Eflatun.

2 Basis of presentation of financial statements *(continued)*

2.2 Basis of consolidation *(continued)*

(a) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 2.5 (f)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's share in subsidiaries that do not result in loss of control are accounted for as equity transactions.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(e) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparative periods are restated. The restatement does not extend to periods during which the entities were not under common control. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Company equity and any gain/loss arising is recognised directly in equity.

2 Basis of presentation of financial statements *(continued)*

2.2 Basis of consolidation *(continued)*

(f) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated via monthly average exchange rates.

Foreign currency differences are recognised in other comprehensive income and accumulated into the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes off only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The Group and subsidiaries use either TL, EUR, RUB, USD or CAD as functional currencies since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group and subsidiaries and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates as the reporting currency. The above-mentioned decision dated 17 March 2005 as a result of the application of hyperinflation accounting ended as of 31 December 2005 and TL came off as not highly inflationary status for the period beginning after 1 January 2006.

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

2 Basis of presentation of financial statements *(continued)*

2.2 Basis of consolidation *(continued)*

(f) Foreign currency *(continued)*

ii) ***Foreign operations*** *(continued)*

The foreign currency exchange rates as at balance sheet date of the related periods are as follows:

	31 January 2020	31 January 2019
TL / EUR	6.5782	6.0339
TL / USD	5.9716	5.2781
TL / RUB	0.0943	0.0795
TL / CAD	4.5119	3.9804

The foreign average currency exchange rates for the related periods are as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
TL / EUR	6.3860	5.8358
TL / USD	5.7180	4.9929
TL / RUB	0.0885	0.0775
TL / CAD	4.3098	3.8179

2.3 Change in significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated.

In preparing the consolidated financial statements as of 31 January 2020, there are no changes in accounting policies except for the initial application of IFRS 16.

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

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

a) Definition of a lease

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

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

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

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

2 Basis of presentation of financial statements *(continued)*

2.3 Change in significant accounting policies *(continued)*

b) As a lessee

The Group has lease contracts for various items of buildings, stores, vehicles and warehouses.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets are as follows:

	Buildings	Stores	Vehicles	Warehouses	Total
Balance at 1 February 2019	24,088	435,472	6,152	3,580	469,292
Balance at 31 January 2020	40,941	360,739	2,617	2,382	406,679

The Group presents lease liabilities in "current and non-current contractual lease liabilities" in the consolidated statement of financial position.

c) Impacts on the consolidated financial statements

i Transition effect

Previously, the Group classified site, building and vehicle leases as operating leases under IAS 17.
The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- Applied a single discount rate to a portfolio of leases with similar characteristics.
- The Group rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- As an facilitator, the lessee chose not to separate the non-leasing components from the leasing components on the basis of the underlying asset class and instead to account for each lease component and its associated leasing components as a single leasing component.
- Office equipments which have insignificant contract value are not included under the scope of IFRS 16.
- Initial direct costs incurred as at 1 February 2019 are not associated with the right of use assets.
- The group has no exemptions for any group of assets related with financial lease liabilities.

Group leases building, stores, warehouse and vehicles. For leases that were classified as operating leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 February 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The weighted average rate applied is 20% for lease contracts in Turkish Lira, 3.5% for lease contracts in Euro, 4.05% for lease contracts in US Dollar, 3.95% for lease contracts in Canada Dollar and 14% for lease contracts in Ruble.

	1 February 2019
Operation lease comintment as of 31 January 2019	1,252,484
Lease liabities as of 1 February 2019	469,292

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

2 Basis of presentation of financial statements *(continued)*

2.3 Change in significant accounting policies *(continued)*

c) Impacts on the consolidated financial statements

ii Current period effect

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 604,617 thousand of right of use assets and TL 438,723 thousand of lease liabilities as at 31 January 2020.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the twelve month ended 31 January 2020, the Group recognised TL 203,768 thousand of depreciation charges and TL 74,080 thousand of financial expense from these leases.

The impact of IFRS 16 on consolidated financial statements and EBITDA is as follows:

	31 January 2020	**IFRS 16 Effect**	**After IFRS 16**
Current assets	1,120,613	(1,941)	1,118,672
Non-current assets	411,509	407,243	818,752
Current liabilities	925,071	197,954	1,123,025
Non-current liabilities	102,976	233,759	336,735
Equity	504,075	(26,411)	477,664
	1 February – 31 January 2020	**IFRS 16 Effect**	**After IFRS 16**
Operating profit	322,101	39,901	362,002
Operating profit before finance costs	321,293	39,901	361,194
Finance cost, net	(149,938)	(73,731)	(223,669)
Profit before tax	171,355	(33,830)	137,525
Net profit	134,178	(26,291)	107,887
EBITDA	400,721	243,669	644,390

2.4 Changes in accounting estimates and errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated.

2.5 Summary of significant accounting policies

Certain comparative amounts in the statement of financial position and profit or loss and other comprehensive income have been reclassified or represented, either as a result of correction of errors or change in classification to conform current year presentation.

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except the initial application of IFRS 16.

(a) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRS Interpretation 4. The details of accounting policies under IAS 17 and IFRS Interpretation 4 are disclosed separately.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(a) Leases*(continued)*

Policy applicable from 1 February 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 February 2019.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– amounts expected to be paid by the lessee under residual value commitments

The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(a) Leases*(continued)*

As a lessee*(continued)*

Policy applicable before 1 February 2019

For contracts entered into before 1 February 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(b) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost including borrowing costs-less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain and loss on disposal of an item of property and equipment is recognised in profit or loss and presendet under gains/losses from investment activities.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

Property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in profit, or loss.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(b) Property and equipment *(continued)*

iii) Depreciation *(continued)*

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of lease term. Land is not subject to depreciation.

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

• Vehicles (5) years

• Furniture and fixtures (3 – 15) years

• Leasehold improvements shorter of (1 – 10) years or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(c) Intangible assets and goodwill

i) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets recognised in a business combination

Customer relationships arising from the business acquisitions were recognized at their fair values.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

ii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iii) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

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

• Trademark (15) years

• Licenses (3–5) years

• Customer relationships (9-15) years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on first-in first-out principle, and includes expenditure incurred for the purchase and bringing the items to their current condition. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs of completion and estimated costs to sell. Net realizable value write-downs are evaluated in product groups and for particular seasons such as fall/winter and spring/summer.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(e) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; managing daily liquidity needs, maintaining a certain interest yield, or aligning the maturity of financial assets with the maturity of debts funding these assets.
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(e) Financial instruments*(continued)*

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(e) Financial instruments*(continued)*

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. For derivatives identified as a hedging tool, see section (v) below.

(iii) Derecognition

Finansal assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(e) Financial instruments*(continued)*

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instrument and hedge accounting

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest rate risk. Embedded derivative instruments are separated from the host contract and recognized separately when the underlying contract is not a financial asset and met certain criteria.
Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the hedging relationship and the operation of the enterprise. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging means are expected to offset each other.

<u>Hedge accounting</u>

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

In the cash flow hedge relationship, the group defines only the change in the spot item of the forward contract as a means of hedging.

The Group, enters into forward contracts in order to hedge the foreign currency risk on product imports arising from the foreign currency differences between the purchase order date and arrival date.

The change in the fair value of forward value of forward foreign exchange purchase contracts is recognized as hedging reserve as a hedging cost in equity as a hedging cost. In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedging fund and the cost of hedging are included directly in the initial cost of the non-financial asset or liability. For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the hedging reserve in the period or periods when the estimated future cash flows are affected by profit or loss.

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedging fund shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the periods in which the estimated future cash flows are affected by profit or loss. If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(f) Impairment of assets

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(f) Impairment of assets *(continued)*

The ECLs were calculated based on actual credit loss experience over the past years.
ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost are creditimpaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 (if any). Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs ("Cash Generating Unit"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU.

An impairment loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies*(continued)*

(g) Employee benefits

i) Long term employee benefits

<u>*Provision for employee termination benefits*</u>

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated without due cause, called up for military service, death or retirement. IAS 19 "Employee Benefits" requires actuarial valuation method to be developed to estimate the enterprise's obligation under defined benefit plans. Consequently, in the accompanying consolidated financial statements, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employee. Severance payment provisions are not subject to legal funding.

In accordance with the Russian Labor Law (the Article 178 "Dismissal allowances", Chapter 27, Section VII "Guarantees and compensations"), when the Group company unilaterally terminates the employment agreement, employer should inform the employee two months before position cancelling date. After two months, at the date of dismissal, employer is required to pay the employee a dismissal compensation at the amount of one month average wage. In case the employee can not find an employment during two preceding months after the dismissal date, employee has right to request

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries, except Russia since only under very specific circumstances a company is liable to pay a severance according to labour laws of the foreign entities.

ii) Short term employee benefits

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees. The Group is obliged to make payments for unused vacation days in the amount of the employment contract is terminated on the date of the daily gross wage and contract related interests on the total payment. The Group provides reserve for the vacation pay liability due to the earned and unused vacation rights of its employees.

Vacation pay liability is measured on an undiscounted basis and is recognised in profit or loss as the related service is provided.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(h) Provisions; contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate and the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the consolidated financial statements about the contingent asset if the entry of economic benefit is certain, the asset and its related income changes are included in the consolidated financial statements at the date that they occurred.

(ı) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

a) A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

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

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(j) Revenue

(i) General model for accounting of revenue

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

Step 1: Identify the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identify the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct; or
(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determine the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable cost

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

Step 4: Allocate the transaction price

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(j) Revenue (continued)

Stage 5: Revenue recognition

The Group recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably.

If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognizes a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Goods sold

In overall, the Group has wholesale, retail and e-commerce business. Retail sales represent sales to consumers at mono-brand Mavi stores that the Group operates. Revenue is recognized when the significant risk and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods through retail business in the course of ordinary activities is measured at the fair value of the consideration received in cash or credit card. The discount is recognized as a reduction of revenue as the sales are recognized.

Wholesale sales are to third-party retailers that then on-sell to consumers. The wholesale channel includes Mavi mono-brand stores operated by franchisees, department store chains, corner shops, and third-party online channels. The Group signs franchise agreements with franchises. However, the Group does not send consignment inventory to these franchises nor does the Group earn franchise fees on these agreements. The Group recognizes revenues from franchisees on a principal basis as gross when the significant risk and rewards of ownership have been transferred to the franchisees.

In addition, the Group has consignments in certain department stores. Revenue from these consignments is recognized only after they are sold to the end customer as defined above.

Ecommerce represents direct sales that the Group makes to consumers on own mavi.com websites. Revenue from the sale of goods through wholesale business in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(j) Revenue (continued)

The Group also generates revenue in the form of royalty fees.

Corporate card sales to corporate customers are initially recognized as deferred revenue and the revenue is recognized when the card is used by the ultimate customer. Corporate cards given to customers during the reporting period are valid until a specific maturity date. Unused balance of the corporate cards are recognized as revenue following the expiration date.

Loyalty programme

For customer loyalty programmes, the fair value of the consideration receivable in respect of the initial sale is allocated to the "Kartuş Card Points". The present fair value of the Kartuş Card Points, which can be redeemed as discount against future purchases by customers, is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognized only when the points are redeemed and the Group has fulfilled its obligations to supply the discounted products. The amount of revenue recognized in those circumstances is based on the number of points that have been redeemed in exchange for discounted products, relative to the total number of points that is expected to be redeemed.

(k) Income/(expense) from investing activities

Income / (expense) from investing activities are generated from gain or loss of sale of property, plant and equipment.

(l) Earnings per share

Earnings per shares is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(m) Research and development expenses

The Group has a separate department which operates to research and develop new fabric and design. As a result of these operations of the department, sample productions are made including new collections' desgins. Costs incurred on development projects are recognised as intangible assets only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs that have been capitalised are amortised on a straight-line basis over their estimated useful lives (1 year).

(n) Finance income and finance cost

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets, (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities (other than trade receivables and payables) are reported on a gross basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(o) Tax

Tax expense comprises of current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(o) Tax (continued)

ii) Deferred tax *(continued)*

- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future,
- taxable temporary differences related to initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that is probable that future taxable profits will available against which they can be utilised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and its consolidated subsidiaries have reflected their deferred tax assets and liabilities in their financial statements, but there has been no netting on a consolidated basis.

iii) Tax risk

The Group takes into account whether the Group has the uncertain tax position and the surcharge has to be paid and the tax liability while it determines the current tax expense and delayed tax expense. The assessment might include judgments about future events and is based on estimates and assumptions. In case there exists new information about the adequacy of the Group's current tax liability which will cause a change in the professional judgment; this change will affect the period which the situation emerges.

iv) Transfer pricing

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

(p) Government grants

The Group obtains government incentives under the Turquality program from Turkish Republic Ministry of Economy. The Group is initially recongnises government grants related to trade mark developments in international markets in profit or loss as deduction of relevant selling and marketing expenses at fair value when there is reasonable assurance that the incentives will be received.

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(q) Measurement of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Important evaluation problems are reported to the Audit Committee of the Group.

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

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

2 Basis of presentation of financial statements *(continued)*

2.5 Summary of significant accounting policies (continued)

(q) Measurement of fair value (continued)

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

(i) Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Derivative financial instruments reflect their fair value as they include hedging transactions. The classification of derivative financial instruments for fair value measurement is Level 2.

ii) Other non-derivative financial liabilities

Forward exchange contracts

The fair values of forward exchange contracts are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

iii) Property and equipment

The fair value of property and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

iv) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

The fair value of customer relationships acquired in a business combination are determined according to the income approach.

2.6 Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework (Version 2018)

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

Amendments to IAS 1 and IAS 8 - Definition of Material

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

The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements

2 Basis of presentation of financial statements *(continued)*

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

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

This is a simplified assessment that results in an asset acquisition of substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020; with earlier application permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7 issued in September 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:
• pre-replacement issues—issues affecting financial reporting in the period before the reform; and
• replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:
(a) The highly probable requirement;
(b) Prospective assessments;
(c) IAS 39 retrospective assessment; and
(d) Separately identifiable risk components.

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

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier applicationpermitted.

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

2 Basis of presentation of financial statements *(continued)*

2.7 Transactions with non-controlling interests

The difference between the total acquisition amount and the share of the net assets in the financial statements of Mavi Canada, prepared in accordance with IFRS, amounting to TL 12,965, has been accounted under retained earnings under equity.

The composition of the share of the net assets in the financial statements prepared in accordance with IFRS and retained earnings as of 30 April 2018 are as follows:

	30 April 2018
Net assets	6,166
Percentage of shares acquired	25%
Company's share in net assets	1,542
Amount accounted in retained earnings	12,965
Purchase price	14,507

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

3 Operating segments

	1 February 2019- 31 January 2020			1 February 2018- 31 January 2019		
	Reportable segment			Reportable segment		
	Turkey	**International**	**Total**	**Turkey**	**International**	**Total**
Segment revenue [1]	**2,364,841**	**498,041**	**2,862,882**	**1,914,936**	**437,914**	**2,352,850**
-Retail	1,829,485	59,621	1,889,106	1,470,613	60,660	1,531,273
-Wholesale	453,272	375,103	828,375	400,879	342,578	743,457
-E-commerce	82,084	63,317	145,401	43,444	34,676	78,120
Segment profit before tax	**127,675**	**9,850**	**137,525**	**109,286**	**23,067**	**132,353**

	31 January 2020			31 January 2019		
	Reportable segment			Reportable segment		
	Turkey	**International**	**Total**	**Turkey**	**International**	**Total**
Total segment assets	**1,590,804**	**346,620**	**1,937,424**	**1,100,349**	**243,561**	**1,343,910**
Total segment liabilities	**1,222,165**	**237,595**	**1,459,760**	**821,701**	**185,041**	**1,006,742**

The Group has 2 strategic operating segments based on the geographical areas where sales are generated. These divisions are managed separately because they require different trading and marketing strategies. Only Turkey operations are determined to be a reportable segment. International segment comprises Europe, USA, Canada, Russia and rest of the world.

[1] Segment revenue comprised of third party sales after elimination between consolidated entities.

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

4 Cash and cash equivalents

As at 31 January 2020 and 2019 cash and cash equivalents comprises the following:

	31 January 2020	31 January 2019
Cash on hand	1,515	1,885
Cash at banks	174,739	129,636
Demand deposits	*26,429*	*21,831*
Time deposits	*148,310*	*107,805*
Other cash and cash equivalents	134,584	135,050
Cash and cash equivalents in the statement of consolidated financial statement	**310,838**	**266,571**
Bank overdrafts	--	(4,548)
Cash and cash equivalents in the statement of consolidated cash flows	**310,838**	**262,023**

As at 31 January 2020 and 2019, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 31 January 2020 and 2019, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

	Maturity	Interest rate	31 January 2020
TL	3 February 2020	10.26%	148,310
			148,310

	Maturity	Interest rate	31 January 2019
USD	1 February 2019	3.35%	70,938
EUR	1 February 2019	0.75%	36,867
			107,805

As at 31 January 2020 and 2019, there is no restriction or blockage on cash and cash equivalents. The Group's exposure to foreign currency credit risk, interest rate risk and related sensitivity analyses are disclosed in Note 34.

5 Loans and borrowings

As at 31 January 2020 and 2019, financial borrowings comprise the following:

	31 January 2020	31 January 2019
Current liabilities		
Unsecured bank loans	74,748	75,194
Current portion of unsecured bank loans	160,946	204,317
Bank overdraft (Note 4)	--	4,548
Contractual lease liabilities	197,954	--
	433,648	**284,059**
Non-current liabilities		
Unsecured bank loans	84,098	91,985
Contractual lease liabilities	240,769	--
	324,867	**91,985**

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

5 Loans and borrowings (continued)

As at 31 January 2020 and 2019 loan and borrowings comprised the following:

	31 January 2020	31 January 2019
Bank loans	319,792	376,044
Contractual lease liabilities	438,723	--
	758,515	**376,044**

As at 31 January 2020 and 2019 the repayments of bank loan agreements according to the original maturities comprised the following:

	31 January 2020	31 January 2019
Less than one year	235,694	284,059
One to two years	83,813	79,869
Two to three years	285	11,877
Three to four years	--	239
	319,792	**376,044**

As of 31 January 2020 and 2019 maturities and conditions of outstanding bank loans comprised the following:

	31 January 2020				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.65%-4.10%	2020	55,051	55,234
Unsecured bank loans	TL	11.55%-23.56%	2020-2022	183,076	184,407
Unsecured bank loans	USD	3.90%-4.77%	2020-2022	29,410	29,627
Unsecured bank loans	RUB	12.95%-13.94%	2020-2021	37,610	38,038
Unsecured bank loans	CAD	3.95%	2020	12,486	12,486
				317,633	**319,792**

	31 January 2019				
	Currency	Nominal interest rate%	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.00%-3.50%	2019	46,995	47,321
Unsecured bank loans	TL	0.00%-37.75%	2019-2022	253,085	259,939
Unsecured bank loans	USD	4.05%-6.80%	2019-2022	30,950	31,235
Unsecured bank loans	RUB	12.95%	2020	29,411	29,777
Unsecured bank loans	CAD	3.70%	2019	7,772	7,772
				368,213	**376,044**

The Group's exposure to liquidity, foreign currency and interest rate risk as well as related sensitivity analyses for financial liabilities are disclosed in Note 34.

Short term portion of long term liabilities	**31 January 2020**	**31 January 2019**
Lesase liabilities	212,175	--
Deferred lease borrowing cost (-)	(14,221)	--
	197,954	**--**
Long term lease liabilities		
Leases liabilities	362,855	--
Deferred lease borrowing costs (-)	(122,086)	--
	240,769	**--**
Total contractual lease liabilities	**438,723**	**--**

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

6 Related party

Related parties in consolidated financial statements are determined as key management personnel, board of directors, family members, subsidiaries controlled by the Company. Several related party transactions are carried out during ordinary course of the business.

As of 31 January 2020, the members of the Akarlılar Family (Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar) are the controlling shareholders of the Group with a total ownership interest of 27.41% where 27.19% is the direct ownership interest and 0.22% is the indirect ownership interest through Blue International Holding B.V.

(a) Related party balances

Prepayments given to related parties	**31 January 2020**	**31 January 2019**
Erak Giyim Sanayi Ticaret A.Ş. ("Erak")[1]	16,824	20,949
	16,824	**20,949**

[1] Advances given to Erak is related to fabric purchases and are tracked in prepayments.

	31 January 2020	**31 January 2019**
Due to related parties		
Erak[1]	175,262	149,035
Akay Lelmalabis Elgazhizah LLC ("Akay") [2]	21,542	6,070
	196,804	**155,105**

[1] Amounts due to Erak, a company controlled by immediate family members of the shareholder of the parent company, are for purchases of inventory. Amounts are non-interest bearing and have 90 days repayment date.

[2] Amount comprise of inventory purchases to subsidiary Akay situated in Egypt. Amounts are non-interest bearing and have 90 days repayment date.

As at 31 January 2020 and 31 January 2019, other short term payables to related parties comprised the following:

	31 January 2020	**31 January 2019**
Other payables to related parties		
Eflatun Giyim shareholders[1]	126	10,330
Short term other payables to related parties	**126**	**10,330**

[1] Payables to Eflatun Giyim shareholders mainly comprised of USD 1,942 thousand payables due to the acquisition of Eflatun Giyim. Amounts are without guarantee and non-interest bearing.The related amount has been paid as of 31 January 2020.

As at 31 January 2020 and 31 January 2019, contractual lease liabilities to related parties comprised the following:

	31 January 2020	**31 January 2019**
Short term contractual lease liabilities to related parties		
Sylvia House Inc.	566	--
Mavi Jeans Holding Inc.	987	--
	1,553	**--**

	31 January 2020	**31 January 2019**
Long term contractual lease liabilities to related parties		
Sylvia House Inc.	1,238	--
Mavi Jeans Holding Inc.	1,991	--
	3,229	**--**

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

6 Related party *(continued)*

(b) Related party transactions

For the years ended 31 January 2020 and 2019, purchases from related parties of the Group comprised the following:

	31 January 2020	31 January 2019
Purchase from related parties		
Erak	487,631	393,662
Akay	80,114	92,376
	567,745	**486,038**

Purchases from related parties comprise approximately one third of total purchases.

For the years ended 31 January 2020 and 2019, the services from related parties of the Group comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Services from related parties		
Erak [1]	1,620	1,490
Mavi Jeans Holding Inc.[2]	847	742
Sylvia House Inc.[3]	666	678
CM Objekt Heusenstamm GBR	--	979
	3,133	**3,889**

[1] The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.

[2] Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

[3] Mavi Canada rented its office in Yaletown, Vancouver from Sylvia House Inc.

(c) Information regarding benefits provided to the Group's key management

For the years ended 31 January 2020, short term (salaries and wages, attendance fee, bonus, holiday overtime, severance payment, premium, and other benefits) and long term benefits provided to senior management and board of directors amounted to TL55,895 (31 January 2019: TL 44,160).
As at 31 January 2020, the Group does not have any payables to any board of director or key management personnel of the Group.(31 January 2019-nil)

7 Trade receivables and payables

Short term trade receivables

As at 31 January 2020 and 31 January 2019, short term trade receivables are as follows:

	31 January 2020	31 January 2019
Trade receivables from third parties	231,101	168,593
	231,101	**168,593**

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

7 Trade receivables and payables *(continued)*

Short term trade receivables *(continued)*

As at 31 January 2020 and 31 January 2019, short term trade receivables from others are as follows:

	31 January 2020	31 January 2019
Trade receivables	190,994	137,955
Post-dated cheques	12,835	10,736
Endorsed cheques	4,051	3,082
Notes receivables	24,653	18,007
Expected credit losses (-)	(1,432)	(1,187)
Doubtful receivables	17,709	16,578
Allowance for doubtful receivables (-)	(17,709)	(16,578)
	231,101	**168,593**

Details related to Group's exposure to credit and foreign currency risk, and impairment losses for short term trade receivables is disclosed in Note 34.

Short term trade payables

As at 31 January 2020 and 31 January 2019, short term trade payables of the Group are as follows:

	31 January 2020	31 January 2019
Trade payables to third parties	400,479	355,179
Trade payables to related parties (Note 6)	196,804	155,105
	597,283	**510,284**

As at 31 January 2020 and 31 January 2019, short term trade payables from others are as follows:

	31 January 2020	31 January 2019
Trade payables [1]	394,516	346,196
Expense accruals	5,963	8,983
	400,479	**355,179**

Trade payables comprises of the unpaid amounts of trade purchases and ongoing expenditures.

[1] Trade payables to third parties comprise factoring payables amounting TL 67,242 (31 January 2019: TL 51,239).

The Group's exposure to foreign currency and liquidity risk for short term trade payables are disclosed in Note 34.

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

8 Other receivables and payables

Other short term trade receivables

As at 31 January 2020 and 2019, short term other receivables of the Group are as follows:

	31 January 2020	31 January 2019
Other receivables from third parties	17,267	17,059
	17,267	**17,059**

As at 31 January 2020 and 2019, short term other receivables from third parties of the Group are as follows:

	31 January 2020	31 January 2019
Receivables from public institutions (1)	16,588	14,880
Other short term receivables	679	2,179
	17,267	**17,059**

(1) Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 2.523 (31 January 2019: TL 3,369) and value added tax receivables amounting to TL 13,994 (31 January 2019: TL 11,377).

Mavi Giyim has the right to receive government grants from the Republic of Turkey for its investments abroad as part of a brand-building program called "Turquality". Turquality income accrual consists of the approved/to be approved but not yet paid grants regarding capital expenditures and other expenses, i.e. rent, marketing, design, in context of this brand-building program.

The Group's exposure to credit and foreign currency risk for short term other receivables are disclosed in Note 34.

Long term other receivables

As at 31 January 2020 and 2019, long term other receivables of the Group are as follows:

	31 January 2020	31 January 2019
Other receivables from third parties	3,207	2,411
	3,207	**2,411**

The Group's exposure to credit and foreign currency risk for long term other receivables are disclosed in Note 34.

Short term other payables

As at 31 January 2020 and 2019, short term other payables of the Group are as follows:

	31 January 2020	31 January 2019
Other payables to third parties	6,845	6,204
Other payables to related parties (Note 6)	126	10,330
	6,971	**16,534**

As at 31 January 2020 and 2019, other payables to third parties of the Group are as follows:

	31 January 2020	31 January 2019
Taxes and duties payable	6,840	6,198
Other payables	5	6
	6,845	**6,204**

The Group's exposure to foreign currency and liquidity risk for other short term payables is disclosed in Note 34.

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

9 Inventories

As at 31 January 2020 and 2019, inventories are as follows:

	31 January 2020	31 January 2019
Trade goods	490,342	436,004
Consignment trade goods	29,898	29,999
Goods in transit	525	6,293
Provision for impairment on inventory (-)	(24,701)	(15,067)
	496,064	**457,229**

As at 31 January 2020 there is no restriction/ pledge on inventories (31 January 2019: nil).

As at 31 January 2020 and 2019, the provision for impairment on inventory is as follows:

	31 January 2020	31 January 2019
Opening balance	15,067	15,456
Provision for the year	30,594	19,026
Effect of movements in exchange rates	650	1,524
Provision cancellations	(130)	(1,625)
Write-off	(21,480)	(19,314)
Closing balance	**24,701**	**15,067**

As of the year ending on 31 January 2020, inventories of TL 30,594 (31 January 2019: TL 19,026) were recognised as an expense for slow moving inventory and net realizable value assessment in accordance with Group policies of provision for impairment on inventory during the year and included in "cost of sales". In addition, for the year ended on 31 January 2020, inventories of TL 21,480

(31 January 2019; TL 19,314) were disposed and written off.

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

10 Prepayments and deferred revenues

Prepayments

As at 31 January 2020 and 2019, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2020	31 January 2019
Advances given[1]	21,076	25,105
Prepaid general administrative expenses	6,423	--
Prepaid advertising and marketing expenses	5,138	5,823
Prepaid general financing expenses	3,904	--
Prepaid rent expenses	3,038	2,468
Prepaid insurance expenses	557	479
Prepaid stamp tax and duties expenses	300	534
Other prepaid expenses	1,440	3,690
Total prepaid expenses	**41,876**	**38,099**
Long term prepaid expenses	**115**	**114**
Short term prepaid expenses	**41,761**	**37,985**

[1]Advances given mainly comprise of advances given to producers and service providers including fabric advances given to Erak (Note 6).

Deferred revenue

As at 31 January 2020 and 2019, deferred revenue of the Group are as follows:

	31 January 2020	31 January 2019
Customer loyalty claims[1]	14,960	14,923
Salary protocol	5,272	356
Corporate sales [2]	1,825	1,671
Rent income	265	255
Total deferred revenue	**22,322**	**17,205**
Short term deferred revenue	**18,917**	**17,086**
Long term deferred revenue	**3,405**	**119**

[1] The deferred revenue related to loyalty credits granted has been estimated with reference to the fair value of apparel for which could be redeemed.
[2] Corporate sales consist of prepaid cards which are given to corporate firms.

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

11 Property and equipment

The movement of property and equipment for the year ended 31 January 2020 and 31 January 2019 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
1 February 2018 opening balance	**244**	**207,851**	**165,914**	**--**	**374,009**
Effect of movements in exchange rates	17	4,319	8,254	--	12,590
Additions	--	30,725	19,607	6,756	57,088
Disposals	(75)	(1,475)	(14,044)	--	(15,594)
Transfers[1]	--	2,966	1,091	(4,085)	(28)
31 January 2019 closing balance	**186**	**244,386**	**180,822**	**2,671**	**428,065**
1 February 2019 opening balance	**186**	**244,386**	**180,822**	**2,671**	**428,065**
Effect of movements in exchange rates	--	4,121	2,356	--	6,477
Additions	--	37,704	28,566	13,497	79,767
Disposals	--	(9,231)	(7,332)	--	(16,563)
Transfers[1]	--	9,848	4,054	(14,449)	(547)
31 January 2020 closing balance	**186**	**286,828**	**208,466**	**1,719**	**497,199**

[1] Transfers of TL 547 as at 31 January 2020, and TL 28 as at 31 January 2019 are related to transfers to intangible assets.

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

11 Property and equipment *(continued)*

The movement of property and equipment for the year ended 31 January 2020 and 2019 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated Depreciation					
1 February 2018 opening balance	**119**	**121,553**	**96,304**	**--**	**217,976**
Effect of movements in exchange rates	7	2,836	5,171	--	8,014
Depreciation for the year	49	29,818	27,312	--	57,179
Disposals	(38)	(1,388)	(13,417)	--	(14,843)
31 January 2019 closing balance	**137**	**152,819**	**115,370**	**--**	**268,326**
1 February 2019 opening balance	**137**	**152,819**	**115,370**	**--**	**268,326**
Effect of movements in exchange rates	--	2,392	1,300	--	3,692
Depreciation for the year	29	32,624	27,470	--	60,123
Disposals	--	(9,019)	(6,642)	--	(15,661)
31 January 2020 closing balance	**166**	**178,816**	**137,498**	**--**	**316,480**
31 January 2019 carrying amount	**49**	**91,567**	**65,452**	**2,671**	**159,739**
31 January 2020 carrying amount	**20**	**108,012**	**70,968**	**1,719**	**180,719**

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

11 Property and equipment *(continued)*

For the year ended 31 January 2020, TL 7,958 (and for the year ended 31 January 2019: TL 4,829) of depreciation expenses are included under administrative expenses, TL 52,165 (31 January 2019: TL 51,871) under selling and marketing expenses and TL 0 (31 January 2019: TL 479) under research and development expenses.

As of 31 January 2020, there is no pledge on property and equipment (31 January 2019: nil).

As at 31 January 2020 the amount of insurance on property and equipment is TL 371,211 (31 January 2019: TL 323,309).

12 Intangible assets

The movement of intangible assets as at 31 January 2020 and 2019 are as follows:

	Licenses	**Customer relationships**	**Brand**	**Development Costs[1]**	**Total**
Cost					
1 February 2018 balance	**47,258**	**44,071**	**923**	**--**	**92,252**
Additions	4,654	--	--	4,353	9,007
Effect of movements in exchange rates	1,190	15,636	--	--	16,826
Transfers	28	--	--	--	28
Disposals	--	--	--	--	--
31 January 2019 balance	**53,130**	**59,707**	**923**	**4,353**	**118,113**
1 February 2019 balance	**53,130**	**59,707**	**923**	**4,353**	**118,113**
Additions[2]	8,355	--	--	13,124	21,479
Effect of movements in exchange rates	877	7,423	--	--	8,300
Transfers	547	--	--	--	547
Disposals	--	--	--	--	--
31 January 2020 balance	**62,909**	**67,130**	**923**	**17,477**	**148,439**

[1]Consist of capitalized design and development expensesin accordance with incentive programme.

[2]Development costs consist 657KTL capitalized amortisation expenses.

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

12 Intangible assets *(continued)*

	Licenses	Customer relationships	Brand	Development Costs	Total
Amortisation					
1 February 2018 balance	**35,094**	**9,132**	**126**	**--**	**44,352**
Effect of movements in exchange rates	878	2,763	--		3,641
Current year amortisation	6,679	5,618	86	161	12,544
Disposals	--	--	--	--	--
31 January 2019 balance	**42,651**	**17,513**	**212**	**161**	**60,537**
1 February 2019 balance	**42,651**	**17,513**	**212**	**161**	**60,537**
Effect of movements in exchange rates	627	2,204	--	--	2,831
Current year amortisation	5,870	6,462	86	4,602	17,020
Disposals	--	--	--	--	--
31 January 2020 balance	**49,148**	**26,179**	**298**	**4,763**	**80,388**
Carrying amount					
31 January 2019 balance	**10,479**	**42,194**	**711**	**4,192**	**57,576**
31 January 2020 balance	**13,761**	**40,951**	**625**	**12,714**	**68,051**

For the year ended 31 January 2020, TL 8,158 (31 January 2019: TL 10,393) of amortisation expenses are included under general administrative expenses and TL 4,424 (31 January 2019: TL 1,990) under selling and marketing expenses, and TL 3,781 (31 January 2019: TL 161) under research and development expenses.

The depreciation charge of TL 657 for the period ended 31 Januray 2020 is capitalized in accordance with incentive program. (31 January 2019: none).

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

13 Goodwill

The movement of goodwill as at 31 January 2020 and 2019 is as follows:

Cost	**31 January 2020**	**31 January 2019**
As of 1 February	**138,175**	**100,996**
Effect of movements in exchange rates	17,520	37,179
As of 31 January	**155,695**	**138,175**
Impairment loss		
As of 1 February	**(1,297)**	**(1,297)**
Impairment losses on goodwill	--	--
Effect of movements in exchange rates	--	--
As of 31 January	**(1,297)**	**(1,297)**
Carrying amount		
As of 31 January	**154,398**	**136,878**

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2020 and 2019, details of cash generating units related to goodwill are as follows. The carrying amount of goodwill allocated to each cash generating unit is as follows;

	31 January 2020	**31 January 2019**
Mavi America	137,083	121,163
Mavi Canada	13,582	11,982
Other	3,733	3,733
	154,398	**136,878**

13 Goodwill *(continued)*

Impairment testing for CGUs containing goodwill

A valuation of the fair value of CGU of Mavi USA and Mavi Canada as two separate CGU's was performed by the Company management as of 31 January 2020 and 2019. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of Mavi USA and Mavi Canada.

The Group used 5 years business plans prepared by the Company management for the valuation of CGUs. The growth of business plans of Mavi USA and Mavi Canada is associated with an increase in the number of customers and growth in the market.

As of 31 January 2020, the impairment test performed on CGU based is resulted with no impairment loss to be recorded for Mavi USA and Mavi Canada

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the recoverable amount of Mavi USA are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 11.0%, 1.8%, 22.3% (31 January 2019:12.2%, 1.8%, 18.6%) respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

Key assumptions used in the calculation of the recoverable amount of Mavi Canada are discount rates, terminal value growth rates, and EBITDA margin at terminal value. These assumptions are 10.4%, 2.2%, 12.7% (31 January 2019:10.1%, 2.2%, 12.0%) respectively. The values assigned to the key assumptions represent management's assessment of future trends in ground handling industry and are based on both external sources and internal sources.

Discount Rate

The discount rate is for Mavi USA estimated based on the company specific weighted cost of capital. Value in use is determined by applying post tax discount rate of 11.0% (31 January 2019:12.2%).

The discount rate is for Mavi Canada estimated based on the company specific average weighted cost of capital. Value in use is determined by applying post tax discount rate of 10.4% (31 January 2019:10.1%).

Terminal growth rate

The discounted cash flow models of Mavi USA and Mavi Canada are based on the cash flows projected fro the following five years. A long term growth rate has been determined as the lower of nominal GDP rates for USA and Canada and long term compound annual growth rate in EBITDA estimated by management.

Income approach

Discounted cash flow methodology is used under the income approach. In this method, the cash flow available for distribution after funding internal needs of the Company is forecasted for the determined period of years. Beyond such determined period, a terminal value is developed by capitalising an assumed stabilised cash flow figure. Then, the determined period cash flows and terminal value are discounted to present value.

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

13 Goodwill *(continued)*

Mavi Canada

As of 31 January 2020, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 49,658. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When other variables are constant in the impairment test, CGU's recoverable amount is equal to book value when 16.7% increase in discount rate and the other variables keeping constant for the estimated recoverable amount equal to book value. Likewise, CGU's recoverable amount is equal to book value when 26.2% decrease in EBITDA / net sales ratio.

Mavi USA

As of 31 January 2020, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 77,247. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. When other variables are constant in the impairment test, CGU's recoverable amount is equal to book value when 4.6% increase in discount rate and the other variables keeping constant for the estimated recoverable amount equal to book value. Likewise, CGU's recoverable amount is equal to book value when 6.4% decrease in EBITDA / net sales ratio.

14 Right of use assets

The movement of right of use assets for the year ended 31 January 2020 is as follows:

	Buildings	Store	Vehicles	Warehouse	Total
Cost					
1 February 2019 balance	24,088	435,472	6,152	3,580	**469,292**
Additions	27,448	112,967	588	300	**141,303**
Disposals	--	(15,008)	(55)	--	**(15,063)**
Effect of movements in exchange rates	3,034	5,337	285	429	**9,085**
Closing balance as of 31 January 2020	**54,570**	**538,768**	**6,970**	**4,309**	**604,617**

	Buildings	Store	Vehicles	Warehouse	Total
Accumulated depreciation					
Charge for the year	13,310	184,254	4,353	1,851	**203,768**
Disposals	--	(6,901)	(48)	--	**(6,949)**
Effect of movements in exchange rates	319	676	48	76	**1,119**
Closing balance as of 31 January 2020	**13,629**	**178,029**	**4,353**	**1,927**	**197,938**
Carrying value as of 31 January 2020	**40,941**	**360,739**	**2,617**	**2,382**	**406,679**

For the year ended 31 January 2020, TL 10,316 of amortisation expenses are included under general administrative expenses and TL 191,585 under selling and marketing expenses, and TL 1,867 under research and development expenses.

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

15 Provisions, contingent assets and liabilities

Short term provisions

As at 31 January 2020 and 2019, short term provisions are as follows:

	31 January 2020	31 January 2019
Provision for employee benefits	3,118	2,679
Other short term provisions	13,447	10,355
	16,565	**13,034**

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2020 and 2019, the movement of provision for vacation liability is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
1 February balance	2,679	2,359
Current period provision	1,207	690
Effect of movements in exchange rates	218	243
Paid benefits	(986)	(613)
31 January balance	**3,118**	**2,679**

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

15 Provisions, contingent assets and liabilities *(continued)*

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term vacation pay liability if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

In accordance with the existing labour law in Group, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.

For the years ended 31 January 2020 and 2019, the movement of other short term provisions is as follows:

	31 January 2020	31 January 2019
Sales return provision	7,220	5,014
Legal provision [1]	2,487	1,863
Other provisions	3,740	3,478
	13,447	**10,355**

[1]Legal provisions mainly comprise of labor lawsuits.

Short term provisions

For the years ended 31 January 2020 and 2019, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provision	Total
1 February 2018 balance	**1,585**	**4,728**	**1,095**	**7,408**
Current year provision	278	(9)	3,478	3,747
Effect of movements in exchange rates	--	859	23	882
Provisions used during year	--	(305)	(402)	(707)
Provision cancellations	--	(259)	(716)	(975)
31 January 2019 balance	**1,863**	**5,014**	**3,478**	**10,355**
1 February 2019 balance	**1,863**	**5,014**	**3,478**	**10,355**
Current year provision	624	3,325	409	4,358
Effect of movements in exchange rates	--	420	(7)	413
Provisions used during year	--	(1,539)	--	(1,539)
Provision cancellations	--	--	(140)	(140)
31 January 2020 balance	**2,487**	**7,220**	**3,740**	**13,447**

Long term provisions

For the years ended 31 January 2020 and 2019, the movement of long term provisions is as follows:

	31 January 2020	31 January 2019
Long term provisions for employee benefits	7,931	5,018
	7,931	**5,018**

Long term employee benefits consist of severance pay liabilities. The details of severance pay liability are disclosed in Note 17.

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

16 Commitments

(a) Warranties, pledges and mortgages

As of 31 January 2020 and 2019, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2020				
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**136,845**	**32,383**	**14,093**	--	**1,969**
Guarantee	136,845	32,383	14,093	--	1,969
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**3,066**	--	**246**	**15,357**	--
Guarantee	3,066	--	246	15,357	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	**139,911**	**32,383**	**14,339**	**15,357**	**1,969**

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

16 Commitments *(continued)*

(a) Warranties, pledges and mortgages *(continued)*

	31 January 2019				
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**
A. On behalf of its own legal personality of the total amount of GPMs	**76,726**	**17,670**	**6,916**	**--**	**3,282**
Guarantee	76,726	17,670	6,916	--	3,282
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**2,974**	**--**	**261**	**17,578**	**--**
Guarantee	2,974	--	261	17,578	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
C. Total amount of GPM given to conduct other 3rd parties to guarantee the depts.	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
D. Total amount of other GPM	--	--	--	--	--
i. Total amount of GPM given on behalf of the main partners	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
ii. Total amount of GPM given on behalf of other group companies which are not in the scope of B and C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
iii. Total amount of GPM given on behalf of other group companies which are not in the scope of C section	--	--	--	--	--
Guarantee	--	--	--	--	--
Pledge	--	--	--	--	--
Mortgage	--	--	--	--	--
Total GPM	**79,700**	**17,670**	**7,177**	**17,578**	**3,282**

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

16 Commitments *(continued)*

(a) Warranties, pledges and mortgages *(continued)*

As of 31 January 2020, ratio of other GPM given by the Group to equity was 0% (31 January 2019: 0%).

As of 31 January 2020, letter of guarantees given to third parties for the amount of TL 68,163 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2019: TL 15,343).

The Group has purchase commitments related to inventory amounting to TL 647,411 as of 31 January 2020 (31 January 2019: TL 576,921).

(b) Guarantees received

As of 31 January 2020, Group has received letter of guarantees for the amount of TL 9,021 as in the form of security (31 January 2019: TL 7,502).

17 Employee benefits

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Due to changes in legislation as of 8 September 1999, there are certain transitional obligations related to the retirement age.

Severance payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 6,730 at 31 January 2020 (31 January 2019: TL 6,018) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the accompanying financial statements on a current basis. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The calculation was based upon the retirement pay ceiling announced by the Government.

The liability is calculated by estimating the present value of the future probable obligation of the Company arising from retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As basic assumption, maximum liability is correspondingly increased with inflation for every year. Therefore, discounted rate refers to estimated real interest rate after correction of the effects of future inflation. To conclude, as at 31 January 2020 and 2019, liabilities in integral part of consolidated financial statements, are calculated by the way of estimating the fair value of the liability caused by possible retirement of employees Accordingly, the liability is calculated using the following actuarial assumptions.

	31 January 2020	31 January 2019
Discount rate (%)	4.86	5.45
Estimated inflation (%)	7.00	10.00

All actuarial gain and losses are recognized in other comprehensive income.

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

17 Employee benefits *(continued)*

Provision for employment termination benefits *(continued)*

For the years ended 31 January 2020 and 2019 the movement of provision for severance pay liability is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Opening balance	**5,018**	**4,741**
Interest cost	617	422
Service cost	8,657	4,541
Paid benefits	(7,680)	(3,934)
Effect of movements in exchange rates	195	126
Actuarial difference	1,124	(878)
Ending balance	**7,931**	**5,018**

18 Payables to employees

As at 31 January 2020 and 2019 payables to employees are as follows:

	31 January 2020	31 January 2019
Payables to personnel[(1)]	28,955	28,071
Social security premiums payable	5,759	4,441
	34,714	**32,512**

[(1)] Payables to personnel consist of the salary and wages to be paid in the following month.

19 Other asset and liabilities

Other current assets

As at 31 January 2020 and 2019, other current assets are as follows:

	31 January 2020	31 January 2019
Deductible value added tax ("VAT")	17,726	22,070
	17,726	**22,070**

Other current liabilities

As at 31 January 2020 and 2019, other current liabilities are as follows:

	31 January 2020	31 January 2019
Advances received	7,992	11,116
	7,992	**11,116**

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

20 Capital, reserves and other capital reserves

Paid-in capital

As at 31 January 2020 and 2019, paid capital is as follows:

	%	31 January 2020	%	31 January 2019
Akarlılar Ailesi	27.19	13,500	27.19	13,500
Blue International	0.22	108	0.22	108
Publicly held	72.60	36,049	72.60	36,049
	100.00	**49,657**	**100.00**	**49,657**

As of 31 January 2020 paid-in capital of the Company comprises 49,657,000 shares (31 January 2019: 49,657,000 shares) of TL 1 each (31 January 2019: TL 1 each).

The Company comprises of A and B group shares.

-As long as Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), half of the members of the Company's Board of Directors shall be elected from among the persons to be nominated by Class A shareholders. The Board of Directors members to be elected from among the nominees of the Class A shareholders shall be members other than the independent members stipulated under the Corporate Governance Principles of the Capital Markets Board.

-Provided that the quorums stipulated under the Capital Markets Law and the Turkish Commercial Code are reserved, in order for the Company's General Assembly to pass a resolution on the matters listed below and on amendments to these Articles of Association on any of such matters ("Matters Requiring Increased General

Assembly Resolution Quorum"), the affirmative votes of all of the Class A Shareholders shall also be required:

- Changing the Company's field of operation, entering into new lines of business or abandoning existing lines of business.
- Capital increases of the Company other than those to be effected within the registered capital system, liquidation or dissolution of the Company, any capital decrease, change of legal form of the Company.
- Filings for bankruptcy, concordat, financial restructuring, adjournment of bankruptcy.
- Transfer of all or a substantial part of the Company's commercial enterprise.
- Changes to the privilige of Class A Shareholders to nominate Board Members, or to the structure of the Board of Directors.
- Changes to the meeting and resolution quorums of the Board of Directors and committees of the Company.
- Approval of the annual activity report, the profit and loss statement and the balance sheet, and release of the Board members from liability.

If, following the public offering, Blue International Holding B.V., its shareholders and/or affiliates and subsidiaries do not hold at least 20% of the capital or voting rights of the Company (aggregate Class A and Class B shares), the increased quorum stated above for the Matters Requiring Increased General Assembly Resolution Quorum shall authomatically cease to be effective, without the possibility of being rejuvenated at a later date

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

20 Capital, reserves and other capital reserves *(continued)*

Paid-in capital(continued)

The Company has adopted the registered capital system under the provisions of the Capital Markets Law, and has initiated the registered capital system based on the permission of the Capital Markets Board dated 3 March 2017 No.9/332.
The upper limit of the Company's registered capital is TL245.000.000.-, which is divided into 245.000.000 registered shares, each with a nominal value of TL 1.- (one Turkish Lira).

Remeasurement loss on defined benefit plans

Amounts include actuarial gains and losses recognized in other comprehensive income.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As at 31 January 2020, the Company's legal reserves are amounting to TL 19,771 (31 January 2019: TL 19,771).

Dividends

As of 31 January 2020, no dividends were distributed to shareholders (31 January 2019: TL 25,925)

Financial hedging reserve

The hedging reserve consists of the effective part of the accumulated net change in its fair value from cash flow hedging to the subsequent recognition of instruments for hedging purposes.

Purchase of share of entities under common control

On 2 December 2011 the Company merged with Mavi Grup Giyim Ticaret A.Ş. ("Mavi Grup"). Mavi Grup had owned the Company's shares in amount of 99.9% until the date of this merger. The difference between investment and share capital of the Company amounting to TL 35,757 has been recognized as an equity transaction as purchase of share of entities under common control.

21 Revenue

For the years ended 31 January 2020 and 2019, revenue comprised the following:

	1 February 2019 – 31 January 2020	**1 February 2018 – 31 January 2019**
Goods and service revenue		
-*Retail*	1,889,106	1,531,273
-*Wholesale*	828,375	743,457
-*E-commerce*	145,401	78,120
	2,862,882	**2,352,850**

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

22 Cost of sales

For the years ended 31 January 2020 and 2019, cost of sales comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Cost of trade goods sold	1,458,268	1,144,905
	1,458,268	**1,144,905**

23 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2020 and 2019, administrative expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	104,562	77,567
Depreciation and amortization expenses (Note 11, 12,14)	26,432	15,222
Office materials expenses	6,588	4,460
Consultancy expenses	5,125	4,097
General office expenses	3,078	2,643
Travel expenses	2,179	3,089
Rent expenses(1)	1,470	10,893
Other	12,526	10,126
	161,960	**128,097**

For the years ended 31 January 2020 and 2019, selling and marketing expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	286,991	250,887
Depreciation and amortization expenses (Note 11, 12,14)	248,174	53,861
Rent expenses(1)	100,607	292,890
Advertising expenses	42,175	31,091
Outsourced logistics expenses	40,993	32,594
Freight-out expenses	32,184	20,328
Travel expenses	7,952	9,342
Other	98,101	71,152
	857,177	**762,145**

(1)Rent expenses covers rent payments calculated on turnover, building management and utilities.

24 Research and development expenses

For the years ended 31 January 2020 and 2019, research and development expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Personnel expenses	17,678	19,157
Depreciation and amortization expenses (Note 11,12,14)	5,648	640
Travel expenses	948	1,007
Other	1,584	1,644
	25,858	**22,448**

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

25 Other income and expense

For the years ended 31 January 2020 and 2019, other operating income comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Invesment support income	3,859	--
Foreign exchange gain and loss, net	3,512	13
Salary protocol income	1,015	533
Reversal of expected credit loss	462	200
Damage compensation income	314	178
Interest income on payables,net	--	8,696
Income from expired gift cards	118	1,095
Other	896	1,528
	10,176	**12,243**

For the years ended 31 January 2020 and 2019, other expenses comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest expense on trade payables, net	5,276	--
Foreign exchange gain and loss, net	1,178	9,002
Expected credit loss	172	592
Expense related to store closings	40	107
Other	1,127	325
	7,793	**10,026**

26 Gains and losses from investment activities

For the years ended 31 January 2020 and 2019, gains from investment activities comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Gain on sale of fixed assets	105	--
	105	**--**

For the years ended 31 January 2020 and 2019 , losses from investment activities comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Losses on sale of fixed assets	913	359
	913	**359**

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

27 Expenses by nature

For the years ended 31 January 2020 and 2019, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Selling and marketing expenses (Note 23)	248,174	53,861
Administrative expenses (Note 23)	26,432	15,222
Research and development expenses (Note 24)	5,648	640
	280,254	**69,723**

Expenses related to personnel

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Selling and marketing expenses (Note 23)	286,991	250,887
Administrative expense (Note 23)	104,562	77,567
Research and development (Note 24)	17,678	19,157
	409,231	**347,611**

For the years ended 31 January 2020 and 2019, the details of expenses related to personnel are as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Wages and salaries	230,022	201,087
Bonus expense	76,775	55,009
Social security premiums	40,561	34,569
Meal expenses	19,832	15,943
Employee termination benefit expenses	14,240	8,408
Overtime expenses	9,473	10,039
Personnel travel expenses	6,263	5,463
Other	12,065	17,093
	409,231	**347,611**

28 Finance income

For the years ended 31 January 2020 and 2019, finance income comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest income on time deposits	6,254	4,665
Foreign exchange gain	2,072	200
Other	98	4
	8,424	**4,869**

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

29 Finance costs

For the years ended 31 January 2020 and 2019, finance costs comprised the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Interest expense on:		
Interest expenses on purchases	53,530	52,188
Financial liabilities measured at amortised cost	73,577	46,207
Interest expenses on contractual lease liabilities	74,080	--
	201,187	**98,395**
Change in fair value of forward contracts	865	45,774
Credit card commission expenses	9,634	6,669
Foreign exchange loss	5,358	9,301
Import financing expenses	13,122	8,030
Other	1,927	1,460
	232,093	**169,629**

30 Income taxes

Corporate tax

In Turkey, corporate tax rate is 22% as of 31 January 2020 (2019: 22%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 January 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

As of 31 January 2020 and 2019 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2020	31 January 2019
Russia	20%	20%
Germany	30%	30%
Netherlands	20%	20%
America	23.14%	23.40%
Canada	26.88%	26.88%

Provision is made in the accompanying consolidated financial statements for the estimated charge based on the each of the Group entities' results for the year.

30 Income taxes *(continued)*

Corporate tax *(continued)*

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income (if any, past year losses and investment incentives if preferred).In Turkey, advance tax returns are filed on a quarterly basis. Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Between 1st -25th days of the fourth month following the closing of the period for those with special accounting periods). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Foreign subsidiaries are subject to the tax legislation in the respective countries and necessary provisions for tax expense have been reflected in the financial statements.

Under the Turkish taxation system, 75% of profit gained from sale of property, plant and equipment of subsidiaries owned at least 2 years can be recognized as exempt income on condition that would be added to equity in following five years. The remaining 25% is subject to corporate tax.

The tax legislation in Turkey does not allow the parent company and its subsidiaries to issue a consolidated tax declaration. For this reason, the tax provisions reflected in the consolidated financial statements are separately calculated for each company subject to consolidation.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

USA
The United States imposes a tax on the profits of US resident corporation at a rate of 21%. Taxable corporate profits are equal to a corporation's receipts less allowable deductions—including the cost of goods sold, wages and other employee compensation expenses, interest, nonfederal taxes, depreciation, and advertising. US-based corporations owned by foreign multinational companies generally face the same US corporate tax rules on their profits from US business activities, as do US-owned corporations. In addition to the federal taxes, US income can be taxed at the state and local government levels as well. State tax rates vary from 0% to 13%, and the state income tax paid is deductible for federal income tax purposes.

Russia
In Russia, the tax system has a legislative nature that is often changed by the authorities. 20%. Tax authorities and "delay penalties" may be subject to investigation and investigation by competent authorities. A tax year is the primary consolidation that follows up to be examined by tax authorities. The recent events in Russia show that they are more stable in the interpretation and implementation of tax legislation. Financial losses can be carried for a period of three years to be deducted from the profit of the institution.

Germany
Germany's effective corporate tax rate, including trade tax and solidarity tax is about 30%. Germany's overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge at a rate of 0.815% (5.5 %of the corporate income tax) and municipal trade tax which varies between 7% and 17.64%. Losses can be carried forward for offset against future taxable income indefinitely.

30 Income taxes *(continued)*

Corporate tax *(continued)*

However, the offset is limited: losses may be offset against profits up to EUR 1,000 thousand without restriction, but only 60% of income exceeding EUR 1,000 thousand may be offset against loss carry forwards.

Netherland

The Dutch corporate tax rate for corporations is 20% for profits up to EUR 200,000 and 25% for excess. There is a one-sided decree issued to prevent double taxation for established companies in the Netherlands and, if there is no tax treaty, items such as profits from permanent foreign operations are not taxed. Dividend payments are subject to 5% tax.

In the Dutch tax system, financial losses can be carried forward for nine years to be deducted from future taxable income. Financial losses can be carried back up to one year ago. Companies must file their tax declarations within nine months of the end of the relevant year unless they request additional time (under normal circumstances for an additional period of nine months). Tax declarations are open for five years following their completion.

Tax authorities have the right to audit tax returns and related accounting records, and disclosures may be amended according to audit findings.

Canada

Canada's federal-provincial general corporate income tax rate is 26.88%. Tax losses can be carried forward for 20 years.

Withholding income tax

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

30 Income taxes *(continued)*

Tax Expense (continued)

For the years ended 31 January 2020 and 2019, tax expense recognized in profit loss comprised the following:

	1 February 2019– 31 January 2020	1 February 2018 – 31 January 2019
Current tax expense:		
Current year tax expense	(49,313)	(27,625)
	(49,313)	**(27,625)**
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	19,675	(3,954)
Total tax expense	**(29,638)**	**(31,579)**

For the years ended 31 January 2020 and 2019, tax income recognized in other comprehensive income the following:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Tax income/(expense), net:		
Deferred taxes related to remeasurements of defined benefit liability/assets, net	247	(193)
Deferred taxes related to cash flow hedge reserve	(2,371)	2,289

As at 31 January 2020 and 2019, the details of the current tax assets/liabilities is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Taxes (receivable)/ payable related to prior year, net	(13,073)	4,293
Current year tax expense	49,313	27,625
Corporate taxes paid	(32,006)	(44,991)
Total tax(assets)/liabilities, net	**4,234**	**(13,073)**
Current tax asset	(2,701)	(15,805)
Current tax liabilities	6,935	2,732

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

30 Income taxes *(continued)*

Tax Expense (continued)

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 January 2020 and 2019 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	1 February 2019 – 31 January 2020	%	1 February 2018 – 31 January 2019
Profit for the year		107,887		100,774
Total income tax expense		(29,638)		(31,579)
Profit before tax		137,525		132,353
Income tax using domestic tax rate	(22)	(30,255)	(22)	(29,118)
Effect of tax rates in foreign jurisdictions	1,6	2,184	(0.3)	(413)
Non-deductible expenses[(1)]	(2,4)	(3,239)	(1.9)	(2,563)
Tax exempt income	1,8	2,462	0.7	958
Changes in estimates related to prior years		--	(0.2)	(204)
Tax incentive	(0,7)	(1,000)	--	--
Other	0,2	210	(0.2)	(239)
Current tax expense	**(21,6)**	**(29,638)**	**(23.9)**	**(31,579)**

[(1)]For the year ended 31 January 2020 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 10,936 (31 January 2019: Inventory counting differences: TL 8,059).

Unrecognized deferred tax asset

For the year ended 31 January 2020 the Group has not any deferred tax assets from tax losses carried forward (31 January 2019: nil).

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

30 Income taxes *(continued)*

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 January 2020 and 2019 are attributable to the items detailed in the table below:

	31 January 2020		
	Assets	**Liabilities**	**Net amount**
Property and equipment	29,425	(393)	29,032
Intangible assets	--	(40,714)	(40,714)
Right of use asstes	543	(77,842)	(77,299)
Inventories	4,760	(891)	3,869
Due from related parties	--	(217)	(217)
Trade and other receivables	212	(367)	(155)
Derivatives	--	(264)	(264)
Trade and other payables	1,754	(368)	1,386
Provisions	2,428	--	2,428
Employee benefits	1,464	--	1,464
Loans and borrowings	11	--	11
Contractual lease liabilities	83,914	--	83,914
Other temporary differences	1,596	--	1,596
Total	**126,107**	**(121,056)**	**5,051**
Set-off tax	**(120,524)**	**120,524**	
	5,583	**(532)**	

	31 January 2019		
	Assets	**Liabilities**	**Net amount**
Property and equipment	22,895	--	22,895
Intangible assets	--	(39,266)	(39,266)
Inventories	2,146	--	2,146
Due from related parties	--	(183)	(183)
Trade and other receivables	--	(578)	(578)
Derivatives	2,107	--	2,107
Trade and other payables	--	(581)	(581)
Provisions	1,925	--	1,925
Employee benefits	462	--	462
Loans and borrowings	--	(4)	(4)
Other temporary differences	271	--	271
Total	**29,806**	**(40,612)**	**(10,806)**
Set-off tax	**(27,926)**	**27,926**	
	1,880	**(12,686)**	

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

30 Income taxes *(continued)*

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	1 February 2019	Recognised in profit or loss	Recognised in comprehensive income	Effect of movements in exchange rates	31 January 2020
Property and equipment	22,895	6,223	--	(86)	29,032
Intangible assets	(39,266)	304	--	(1,752)	(40,714)
Inventories	2,146	1,687	--	36	3,869
Due from related parties	(183)	--	--	(34)	(217)
Trade and other receivables	(578)	438	--	(15)	(155)
Derivatives	2,107	--	(2,371)	--	(264)
Right of use asstes	--	(77,299)	--	--	(77,299)
Trade and other payables	(581)	2,024	--	(57)	1,386
Contractual lease liabilities	--	83,914	--	--	83,914
Provisions	1,925	457	--	46	2,428
Employee benefits	462	847	247	(92)	1,464
Loans and borrowings	(4)	15	--	--	11
Tax losses carried forward	--	--	--	--	--
Other temporary differences	271	1,065	--	260	1,596
	(10,806)	**19,675**	**(2,124)**	**(1,694)**	**5,051**

	1 February 2018	Recognised in profit or loss	Recognised in comprehensive income	Effect of movements in exchange rates	31 January 2019
Property and equipment	(3,359)	26,254	--	--	22,895
Intangible assets	(10,941)	(28,325)	--	--	(39,266)
Inventories	5,868	(3,722)	--	--	2,146
Due from related parties	--	(183)	--	--	(183)
Trade and other receivables	(1,156)	578	--	--	(578)
Derivatives	(185)	4,522	(2,289)	59	2,107
Trade and other payables	4,158	(4,739)	--	--	(581)
Provisions	60	1,865	--	--	1,925
Employee benefits	316	146	(193)	193	462
Loans and borrowings	77	(81)	--	--	(4)
Tax losses carried forward	688	(688)	--	--	--
Other temporary differences	(148)	419	--	--	271
	(4,622)	**(3,954)**	**(2,482)**	**252**	**(10,806)**

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

31 Earnings per share

The amount of earnings per share is calculated by dividing the net period profit attributable to the owners of the Company shares by the weighted average share of the company's shares during the period. The calculation of earnings per share for the years ended 31 January 2020 and 2019 is as follows:

	31 January 2020	**31 January 2019**
Net profit for the year attributable to owners of the Company	94,844	91,517
Weighted average number of ordinary shares (basic)	49,657	49,657
Earnings per ordinary share	**1.9100**	**1.8430**

32 Derivatives

As at 31 January 2020 and 2019, short term derivatives are as follows:

	31 January 2020	**31 January 2019**
Assets from the forward exchange contracts	1,214	--
Liabilities from the forward exchange contracts	--	(9,562)
Other forward exchange contracts	--	(15)
	1,214	**(9,577)**

As of 31 January 2020, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 19,912 thousand in equivalent of TL 118,905. By applying hedge accounting, the fair value difference of TL 1,214, resulting from such forward transactions, is recognized in other comprehensive income.

33 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management of framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer.

33 Financial instruments *(continued)*

Credit risk *(continued)*

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.
The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The Group exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Group closely monitors its customers and the risks are monitored by limiting the aggregate risk to any individual counterparty. The Group secures a portion of its receivables through the use of the Direct Debiting System ("DDS") and the use of credit cards by customers. In Turkey, the banks provide credit limits for the Group's customers through DDS and credit cards and the Group collects its receivables from the banks when due. As of 31 January 2020, the DDS limit of the Company is amounting TL 148,768 thousand (31 January 2019: 127,552 thousand). The Company also obtains guarantees from its customers as another means of securing its receivables.

Management believes that the unimpaired amounts that are pass due by more than 30 days are still collectable in full, based on the historical behavior and analysis of customer credit risk.

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

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk
The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The functional currencies of Group entities are CAD, USD, EUR and RUB.
The Group uses derivative financial instruments such as short-term forward foreign exchange contracts to hedge currency risk.

Interest rate risk
The Group is not exposed to the risk of interest rate since the Group does not have any variable interest rate barrowings.

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

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

34 Nature and level of risks related to financial instruments

Credit risk

The carrying amounts of financial assets shows the maximum credit risk exposure. As of the reporting date, the maximum exposure to credit risk is as follows:

	Receivables				
	Trade receivables		Other receivables		
31 January 2020	**Related party**	**Other**	**Related party**	**Other [(1)]**	**Cash and cash equivalents [(2)]**
The maximum exposure to credit risk as financial instruments (A+B+C+D)	**--**	**231,101**	**--**	**20,474**	**309,323**
- Portion of maximum risk covered by guarantees	--		--		
A. Net book value of financial assets that are neither past due not impaired	--	219,679	--	20,474	309,323
B. Net book value of financial assets which are overdue, but not impaired	--	11,422	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	8,130	9,579	--	--	--
- Impairment (-)	(8,130)	(9,579)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2020	**Receivables**	
	Trade receivables	**Other receivables**
Past due between 1-30 days	7,268	--
Past due between 1-3 months	3,055	--
Past due between 3-12 months	1,099	--
Total past due	**11,422**	--

(1) Other receivables from third parties excludes deposits and guarantees given.

(2) Cash and cash equivalents exclude cash on hand.

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

34 Nature and level of risks related to financial instruments *(continued)*

Credit risk *(continued)*

31 January 2019	Receivables				Cash and cash equivalents [2]
	Trade receivables		Other receivables		
	Related party	Other	Related party	Other [1]	
The maximum exposure to credit risk as financial instruments (A+B+C+D)	--	**168,593**	--	**19,470**	**264,686**
- Portion of maximum risk covered by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	--	157,023	--	19,470	264,686
B. Net book value of financial assets which are overdue, but not impaired	--	11,570	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	7,186	9,392	--	--	--
- Impairment (-)	(7,186)	(9,392)	--	--	--
-Secured portion of net amount by guarantees	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of net amount by guarantees	--	--	--	--	--
D. Elements including credit risk on off consolidated statement of financial position	--	--	--	--	--

31 January 2019	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	7,668	--
Past due between 1-3 months	2,933	--
Past due between 3-12 months	969	--
Total past due	**11,570**	--

[1] Other receivables from third parties excludes deposits and guarantees given.

[2] Cash and cash equivalents exclude cash on hand.

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

34 Nature and level of risks related to financial instruments *(continued)*

Credit risk *(continued)*

Impairment

For the years ended 31 January 2020 and 2019, movement of the provision for doubtful receivables is as follows:

	1 February 2019 – 31 January 2020	1 February 2018 – 31 January 2019
Balance beginning	16,578	12,762
Current year provision	490	386
Allowances no longer required	(128)	(56)
Write-offs	(358)	(91)
Effect of movements in exchange rates	1,127	3,577
Balance ending	**17,709**	**16,578**

The Group monitors the collectability of its trade receivables periodically and records provision for potential losses on doubtful receivables based on historical collection rates. Subsequent to recognition of allowance for doubtful receivables, partial or full recovery of doubtful receivables will be recorded under profit or loss with an offset to provision for doubtful receivables.

Liquidity risk

As at 31 January 2020 and 2019, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2020	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	319,792	347,390	78,246	168,375	100,769
Contractual lease liabilities	5	438,723	575,030	62,526	149,649	362,855
Trade payables to third parties	7	400,479	402,144	357,901	43,973	270
Trade payables to related parties	6	196,804	199,096	192,270	6,796	30
Other payables to related parties	6	126	126	126	--	--
Payables to employees	18	34,714	34,714	34,714	--	--
Total		**1,390,638**	**1,558,500**	**725,783**	**368,793**	**463,924**

31 January 2019	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	376,044	418,835	133,411	166,318	119,106
Trade payables to third parties	7	355,179	359,999	331,820	27,309	870
Trade payables to related parties	6	155,105	155,598	140,292	15,097	209
Other payables to related parties	6	10,330	10,330	10,330	--	--
Payables to employees	18	32,512	32,512	32,512	--	--
Total		**929,170**	**977,274**	**648,365**	**208,724**	**120,185**

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

34 Nature and level of risks related to financial instruments *(continued)*

Market risk

Currency risk

As of 31 January 2020 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	9,923	1,004	--	3,927
2a. Monetary financial assets (including cash. banks)	21,294	2,621	835	149
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,164	132	58	--
4. Current assets (1+2+3)	**32,381**	**3,757**	**893**	**4,076**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	**32,381**	**3,757**	**893**	**4,076**
10. Trade payables	4,349	480	209	105
11. Financial liabilities	43,217	452	6,159	--
12a. Monetary other liabilities	--	--	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**47,566**	**932**	**6,368**	**105**
14. Trade payables	--	--	--	--
15. Financial liabilities	4,207	483	272	(462)
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**4,207**	**483**	**272**	**(462)**
18. Total liabilities (13+17)	**51,773**	**1,415**	**6,640**	**(357)**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**(118,905)**	**(19,912)**	--	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	118,905	19,912	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(138,297)**	**(17,570)**	**(5,747)**	**4,433**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**(20,556)**	**2,210**	**(5,805)**	**4,433**

As at 31 January 2020, Mavi Turkey has trade receivables amounting to TL 20,825 from consolidated subsidiaries which comprise; EUR 2,200 thousand, USD 288 thousand, CAD 224 thousand and RUB 38,411 thousand. These amounts have been eliminated in consolidation. Considering these receivables, the Group's net foreign currency monetary assets position amounts to TL 269.

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

34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

As of 31 January 2019 the Group's foreign currency position specified in the following table arises from foreign currency is denominated as assets and liabilities.

	TL Equivalent	USD	Euro	Other
1. Trade receivables	4,607	775	--	517
2a. Monetary financial assets (including cash. banks)	109,727	13,618	6,235	227
2b. Non-monetary financial assets	--	--	--	--
3. Other	1,889	349	8	--
4. Current assets (1+2+3)	**116,223**	**14,742**	**6,243**	**744**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	**116,223**	**14,742**	**6,243**	**744**
10. Trade payables	54,532	10,096	179	165
11. Financial liabilities	23,702	125	3,819	--
12a. Monetary other liabilities	10,250	1,942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**88,484**	**12,163**	**3,998**	**165**
14. Trade payables	--	--	--	--
15. Financial liabilities	2,365	448	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**2,365**	**448**	--	--
18. Total liabilities (13+17)	**90,849**	**12,611**	**3,998**	**165**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**120,751**	**22,758**	**105**	--
19a. Hedged total asset	--	--	--	--
19b. Hedged total liabilities	**(120,751)**	**(22,758)**	**(105)**	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**146,125**	**24,889**	**2,350**	**579**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**23,485**	**1,782**	**2,237**	**579**

As at 31 January 2019, Mavi Turkey has trade receivables amounting to TL 20,426 from consolidated subsidiaries which comprise; EUR 1,945 thousand, USD 128 thousand, CAD 122 thousand and RUB 94,728 thousand. Considering these receivables, the Group's net foreign currency assets position amounts to TL 43,911. The amounts have been eliminated in consolidation.

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

34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The Group's foreign exchange risk consists of movements of TL against Euro and US Dollar.

The basis for performing sensitivity analysis to measure foreign exchange risk is to disclose total currency position of the Company. Total foreign currency position consists of all purchase/sales agreements in foreign currency and all assets and liabilities. Analysis does not include net foreign currency investments.

The Group's short term and long term borrowings are carried out in balance under pooling/portfolio model.

Foreign Currency Sensitivity Analysis				
31 January 2020				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of USD against TL				
1- Net USD denominated asset/liability	1,320	(1,320)	1,320	(1,320)
2- Hedged portion of TL against USD risk(-)	--	--	11,890	(11,890)
3- Net effect of USD (1+2)	**1,320**	**(1,320)**	**13,210**	**(13,210)**
10% change of EURO against TL				
4- Net EURO denominated asset/liability	(3,819)	3,819	(3,819)	3,819
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	**(3,819)**	**3,819**	**(3,819)**	**3,819**
10% change of other against TL				
7- Net other denominated asset/liability	443	(443)	443	(443)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	**443**	**(443)**	443	(443)
Total (3+6+9)	**(2,056)**	**2,056**	**9,834**	**(9,834)**

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

34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Foreign Currency Sensitivity Analysis				
31 January 2019				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	941	(941)	941	(941)
2- Hedged portion of TL against USD risk(-)	195	(195)	12,012	(12,012)
3- Net effect of USD (1+2)	**1,136**	**(1,136)**	**12,953**	**(12,953)**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	1,350	(1,350)	1,350	(1,350)
5- Hedged portion of TL against EURO risk(-)	--	--	63	(63)
6- Net effect of EURO (4+5)	**1,350**	**(1,350)**	**1,413**	**(1,413)**
10% change of other against TL				
7- Net other denominated asset/liability	58	(58)	58	(58)
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	**58**	**(58)**	**58**	**(58)**
Total (3+6+9)	**2,544**	**(2,544)**	**14,424**	**(14,424)**

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

34 Nature and level of risks related to financial instruments *(continued)*

Market risk *(continued)*

Interest rate risk

Profile

The interest rate profile of the Group's interest-bearing financial instruments is:

	31 January 2020	31 January 2019
Fixed interest rate items		
Financial assets	148,310	107,805
Financial liabilities	(758,515)	(376,044)

The fair value of fixed rate instruments risk:

The Group does not have any derivative instruments (interest rate swaps) accounted under fair value hedge accounting model or financial assets or liabilities for which fair values are recorded in profit or loss. Therefore, any changes in interest rates during the reporting period will not have an impact on profit or loss.

The fair value of variable rate instruments risk:

As the Group does not have any variable rate borrowings, changes in interest rates as of the reporting period will not have an impact on profit or loss.

Capital risk management

The Group's objectives when managing capital are to safeguard, and provide benefits to other stakeholders in order to reduce the cost of capital in order to maintain and protect the optimal capital structure of the Group.

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

Group capital and net financial debt/equity ratio is followed using net financial debt less cash and cash equivalents; total financial debt is calculated by deducting from that amount.

As at 31 January 2020 and 2019, net debt / equity ratios are as follows:

	31 January 2020	31 January 2019
Loans and borrowings (Note 5) [1]	758,515	376,044
Cash and cash equivalents (Note 4)	(310,838)	(266,571)
Net financial liabilities	**447,677**	**109,473**
Equity	477,664	337,168
Net financial liabilities / equities rate	**0.94**	**0.32**

[1] Financial lease liabilities are included arising from IFRS 16 .

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

35 Financial risk management

Fair values

	Carrying amount			Fair value			
31 January 2020	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivatives	1,214	--	1,214	--	1,214	--	1,214
Financial assets not measured at fair value							
Trade receivables from third parties	231,101	--	231,101	--	--	--	--
Other receivables to third parties[1]	17,267	--	17,267	--	--	--	--
Cash and cash equivalents	310,838	--	310,838	--	--	--	--
Total	**560,420**	**--**	**560,420**	**--**	**1,214**	**--**	**1,214**
	Loans and receivables	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilties measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial liabilities not measured at fair value							
Other payables to related parties	--	(126)	(126)	--	--	--	--
Bank overdrafts	--	--	--	--	--	--	--
Bank loans	--	(319,792)	(319,792)	--	--	(319,792)	(319,792)
Trade payables to third parties	--	(400,479)	(400,479)	--	--	--	--
Other payables to third parties	--	(6,845)	(6,845)	--	--	--	--
Trade payables to related parties	--	(196,804)	(196,804)	--	--	--	--
Total	--	**(924,046)**	**(924,046)**	**--**	**--**	**(319,792)**	**(319,792)**

(1) Other receivables from third parties excludes deposits and guarantees given.

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

35 Financial risk management *(continued)*

Fair values *(continued)*

	Carrying amount			Fair value			
31 January 2019	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Derivatives	--	--	--	--	--	--	--
Financial assets not measured at fair value							
Trade receivables from third parties	168,593	--	168,593	--	--	--	--
Other receivables to third parties[1]	17,059	--	17,059	--	--	--	--
Cash and cash equivalents	266,571	--	266,571	--	--	--	--
Total	**452,223**	--	**452,223**	--	--	--	--
	Loans and receivables	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilties measured at fair value							
Derivatives	(9,577)	--	(9,577)	--	(9,577)	--	(9,577)
Financial liabilities not measured at fair value							
Other payables to related parties	--	(10,330)	(10,330)	--	--	--	--
Bank overdrafts	--	(4,548)	(4,548)	--	--	(4,548)	(4,548)
Bank loans	--	(371,496)	(371,496)	--	--	(371,496)	(371,496)
Trade payables to third parties	--	(355,179)	(355,179)	--	--	--	--
Other payables to third parties	--	(6,204)	(6,204)	--	--	--	--
Trade payables to related parties	--	(155,105)	(155,105)	--	--	--	--
Total	**(9,577)**	**(902,862)**	**(912,439)**	--	**(9,577)**	**(376,044)**	**(385,621)**

[1] Other receivables from third parties excludes deposits and guarantees given.

35 Financial risk management *(continued)*

Fair value disclosures

The Group estimates the fair values of financial instruments based on market information readily available and proper valuation approaches. The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

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

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable	Intra-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	Forward pricing: the fair value is determined using quoted forward Exchange rate and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Financial instruments not measured at fair value			
Other financial liabilities [1]	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discounted rate.		

[1] Other financial liabilities include bank loans.

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

36 Movement of cash flow used in financing activities

	31 January 2020	31 January 2019
Opening balance	**376,044**	**377,835**
Net cash flow used in financing activities	(47,216)	(9,647)
Effect of movements in exchange rates	1,184	1,050
Interest accrual	(5,672)	6,064
Payments of contractual lease liabilities	(243,461)	--
Non-cash movements of financial lease liabilities	682,184	--
Effect of change in bank overdrafts	(4,548)	742
Closing balance	**758,515**	**376,044**

37 Ebitda reconciliation

The Directors of the Group have presented the performance measure EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation and amortization.

EBITDA is not a defined performance measure under IFRS. Reconciliation of EBITDA for the years ended 31 January 2020 and 2019 are as follows:

	Note	31 January 2020	31 January 2019
Profit		107,887	100,774
Income tax expense	*30*	29,638	31,579
Profit before tax		**137,525**	**132,353**
Adjustment for:			
-Net finance costs		223,669	164,760
Payables interest income (net)		5,276	(8,696)
Foreign exchange gain and loss (net)		(2,334)	8,990
-Depreciation and amortisation	*27*	280,254	69,723
EBITDA		**644,390**	**367,130**

As of 31 January 2020 IFRS 16 has an impact of TL 243,669 on EBITDA.

38 Subsequent events

None.