Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements
As At and For The Year Ended
31 January 2019

With Independent Auditor's Report on
Consolidated Financial Statements Thereon

14 March 2019

This report includes 9 pages of independent auditor's report and 79 pages of consolidated financial statements together with their explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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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 2019, 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 2019, 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 Ethics Standards Board for Accountants 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 2.3, (i) to the consolidated financial statements for summary of significant accounting policies 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. There is an inherent control risk with respect to accuracy of revenue recognised from retail sales in the consolidated financial statements due to the large volume of data processed in billing process. Revenue recognition from retail sales by information technology ("IT") has been identified as one of the key audit matters due to the complexity of these systems and the volume of data processed by these systems.	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 following controls of the management; • 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 control through the sales documents obtained for the sales transactions tested on a sample basis. - Sales contracts with customers have been reviewed and controlled 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 revenue recognition from wholesales is related to the assessment of the related sales contracts in the related period. Since the timing of revenue recognition requires significant judgments, the accounting of wholesales has been identified as one of the key audit matters.	- 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 were recognized appropriately and accurately in the correct reporting period.

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Key Audit Matters (continued)

Inventory impairment provision

Refer to the Note 2.3, (d) and Note 9 for the relevant accounting policy and disclosures.

The key audit matter	How the matter was addressed in our audit (continued)
The Group's inventories carry a risk of impairment due to rapid changes in consumer demands and fashion trends. The computation of inventory impairment provision involves management judgments and estimates. These judgments and estimates include assessment of the slow moving inventories due to various reasons such as changes in customer 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 inventories through comparing with prior period actual results, - 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 net realizable value of inventories on a sample basis, - Observation of obsolete and damaged inventories during the inventory counts.

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Key Audit Matters (continued)

Impairment of goodwill

Refer to the Note 2.3, (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 2019 the goodwill recognized in the consolidated financial statements amounted to TL 136.878 thousand. Goodwill amounting to TL 121.163 thousand is allocated to Mavi United States, goodwill amounting to TL 11.982 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.	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, - Evaluating the reasonableness of forecasted cash flows for each CGU by comparing with its historical financial performance, - 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,

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Key Audit Matters (continued)

Impairment of goodwill (continued)

Key audit matters *(continued)*	
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.	

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
14 March 2019
İzmir, Turkey

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Consolidated Statements of Financial Position
As at 31 January 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Audited	**Audited**
	Notes	**31 January 2019**	**31 January 2018**
ASSETS			
Current assets			
Cash and cash equivalents	*4*	266,571	266,280
Trade receivables		168,593	112,996
- Due from third parties	*7*	*168,593*	*112,996*
Other receivables		17,059	24,187
- Due from third parties	*8*	*17,059*	*24,187*
Derivatives	*32*	--	848
Inventories	*9*	457,229	320,351
Prepayments	*10*	37,985	23,358
Current tax asset	*30*	15,805	183
Other current assets	*19*	22,070	13,176
Total current assets		**985,312**	**761,379**
Non-current assets			
Other receivables		2,411	2,981
- Due from third parties	*8*	*2,411*	*2,981*
Property and equipment	*11*	159,739	156,033
Intangible assets		194,454	147,599
- Other intangible assets	*12*	*57,576*	*47,900*
- Goodwill	*13*	*136,878*	*99,699*
Prepayments	*10*	114	106
Deferred tax assets	*30*	1,880	7,145
Total non-current assets		**358,598**	**313,864**
TOTAL ASSETS		**1,343,910**	**1,075,243**

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 2019
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

		Audited	**Audited**
	Notes	**31 January 2019**	**31 January 2018**
LIABILITIES			
Current liabilities			
Short term borrowings	*5*	79,742	180,306
Short portion of long term borrowings	*5*	204,317	128,793
Trade payables		510,284	366,455
- Due to related parties	*6*	*155,105*	*122,672*
- Due to third parties	*7*	*355,179*	*243,783*
Payables to employees	*18*	32,512	18,081
Other payables		16,534	13,619
- Due to related parties	*6*	*10,330*	*7,420*
- Due to third parties	*8*	*6,204*	*6,199*
Deferred revenue	*10*	17,086	14,566
Provisions		13,034	9,767
- Provisions for employee benefits	*15*	*2,679*	*2,359*
- Other provisions	*15*	*10,355*	*7,408*
Derivatives	*32*	9,577	235
Current tax liabilities	*30*	2,732	4,476
Other current liabilities	*19*	11,116	5,879
Total current liabilities		**896,934**	**742,177**
Non-current liabilities			
Loans and borrowings	*5*	91,985	68,736
Deferred revenue	*10*	119	641
Provisions		5,018	4,741
- Provisions for employee benefits	*15,17*	*5,018*	*4,741*
Deferred tax liabilities	*30*	12,686	11,767
Total non-current liabilities		**109,808**	**85,885**
TOTAL LIABILITIES		**1,006,742**	**828,062**

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 2019

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

		Audited	**Audited**
	Notes	**31 January 2019**	**31 January 2018**
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 income/expense not to be reclassified to profit or loss		(4,460)	(5,145)
Remeasurement of defined benefit liability		*(4,460)*	*(5,145)*
Other comprehensive income/expense to be reclassified to profit or loss		56,477	25,966
Foreign currency translation reserve		*63,935*	*25,310*
Hedging reserve		*(7,458)*	*656*
Legal reserves		19,771	17,427
Retained earnings		156,569	111,717
Net Income		91,517	85,871
Non-controlling interests		**3,394**	**(2,555)**
Total equity		**337,168**	**247,181**
TOTAL EQUITY AND LIABILITIES		**1,343,910**	**1,075,243**

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 2019
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	**Audited 1 February 2018 – 31 January 2019**	**Audited 1 February 2018 – 31 January 2019**
Revenue	*21*	2,352,850	1,781,656
Cost of sales	*22*	(1,144,905)	(875,313)
Gross profit		**1,207,945**	**906,343**
Administrative expenses	*23*	(128,097)	(100,317)
Selling, marketing and distribution expenses	*23*	(762,145)	(594,042)
Research and development expenses	*24*	(22,448)	(23,058)
Other operating income	*25*	12,243	4,925
Other operating expenses	*25*	(10,026)	(1,498)
Operating profit		**297,472**	**192,353**
Gains from investment activities	*26*	--	39
Losses from investment activities	*26*	(359)	--
Operating profit before financial income		**297,113**	**192,392**
Finance income	*28*	4,869	1,830
Finance costs	*29*	(169,629)	(81,981)
Net finance costs		**(164,760)**	**(80,151)**
Profit before tax		**132,353**	**112,241**
Income tax expense	***30***	**(31,579)**	**(22,239)**
- Tax expense		(27,625)	(23,936)
- Deferred tax income / expense		(3,954)	1,697
Profit		**100,774**	**90,002**
Non-controlling interests		9,257	4,131
Owners of the Company		91,517	85,871

Earnings per share			
Basic earnings per share (full TL)	***31***	**1.8430**	**1.7293**
Diluted earnings per share (full TL)	***31***	**1.8430**	**1.7293**
Earnings before interest, tax, depreciation and amortization (EBITDA)	***37***	**367,130**	**252,087**

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 2019
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	Audited 1 February 2018 – 31 January 2019	Audited 1 February 2017 – 31 January 2018
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability		878	(877)
- Related tax	30	(193)	193
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		36,859	16,737
Cash flow hedging reserves		(10,403)	841
- Related tax	30	2,289	(185)
Other comprehensive income net of tax		**29,430**	**16,709**
Total comprehensive income		**130,204**	**106711**
Total comprehensive income attributable to:			
Non-controlling interests		7,491	5,680
Owners of the Company		122,713	101,031

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 2019

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

				Other comprehensive income/expense not to be reclassified to profit or loss		Other comprehensive income/expense to be reclassified to profit or loss		Retained earnings				
	Share capital	**Legal reserves**	**Purchase of share of entities under common control**	**Remeasurements of defined benefit liability**	**Other reserve**	**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 2017	**49,657**	**17,427**	**(35,757)**	**(4,461)**	**(4,080)**	**10,122**	**--**	**65,733**	**50,064**	**148,705**	**(8,235)**	**140,470**
Transfers	--	--	--	--	--	--	--	50,064	(50,064)	--	--	--
Acquisition of NCI	--	--	--	--	4,080	--	--	(4,080)	--	--	--	--
Total comprehensive income	--	--	--	(684)	--	15,188	656	--	85,871	101,031	5,680	106,711
Total balance as at 31 January 2018	**49,657**	**17,427**	**(35,757)**	**(5,145)**	**--**	**25,310**	**656**	**111,717**	**85,871**	**249,736**	**(2,555)**	**247,181**
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 2.5)	--	--	--	--	--	--	--	(12,965)	--	(12,965)	(1,542)	(14,507)
Dividend payment	--	2,344	--	--	--	--	--	(28,269)	--	(25,925)	--	(25,925)
Amendments to IFRS 9 (Note 2.3)	--	--	--	--	--	--	--	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**

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 2019**	**31 January 2018**
Net profit for the year		**100,774**	**90,002**
Depreciation and amortization expense	11,12	69,723	61,893
Finance income	28	(4,665)	(1,024)
Finance cost	29	114,554	68,981
Provision for unused vacation	15	690	865
Provision for employee severance indemnity	17	4,963	3,611
Fair value change of derivatives	29	45,774	7,329
Impairment loss on receivables	34	330	(292)
Expected credit losses corrections		392	--
Inventory obsolescence, reversals	9	(1,913)	(4,018)
Loss on disposal of property and equipment, net	26	359	(39)
Tax expense	30	31,579	22,239
Unrealized currency translation difference		(8,905)	8,639
		353,655	**258,186**
Changes in:			
Change in trade receivables		(59,680)	(7,491)
Change in inventory		(136,493)	(29,117)
Change in prepaid expenses		(14,635)	(3,008)
Change in receivables from related parties		--	4,059
Change in other receivables		7,682	(3,663)
Change in other current and non-current assets		(8,894)	2,421
Change in employee benefits liabilities		14,431	3,232
Change in trade payables		111,396	53,008
Change in payables to related parties		32,433	13,941
Change in deferred revenue		1,998	3,103
Change in other payables		5	(32)
Change in short term and long term provisions		2,947	(1,063)
Change in other liabilities		5,240	(3,866)
		310,085	**289,710**
Employee benefits paid	15,17	(4,547)	(3,661)
Income tax paid	30	(44,991)	(19,009)
Net cash from operating activities		**260,547**	**267,040**
Cash flows from investing activities			
Acquisition of tangible assets	11	(57,088)	(69,250)
Proceeds from sale of tangible assets		393	910
Acquisition of intangible assets	12	(9,007)	(3,517)
Acquisition of subsidiary, net of cash acquired		(14,507)	(58,366)
Interest received	28	4,681	1,024
Net cash flow used in investing activities		**(75,528)**	**(129,199)**
Proceeds from loans and borrowings		294,152	92,227
Repayment of loans and borrowings		(303,798)	(53,267)
Proceeds of settlement of derivatives		(41,409)	235
Other financial payments	29	(68,347)	(37,951)
Dividend paid		(25,925)	--
Interest paid		(40,143)	(31,443)
Net cash flow used in financing activities		**(185,470)**	**(30,199)**
Net increase in cash and cash equivalent		**(451)**	**107,642**
Cash and cash equivalents at the beginning of the year	**4**	**262,474**	**154,832**
Cash and cash equivalents at the end of the year	**4**	**262,023**	**262,474**

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, Berlin, Zurich, Salzburg, Prague, Brussels, Almere, Moscow, New York, New Jersey, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

Shares of the Company has been traded at Borsa Istanbul ("BIST") since 15 June 2017. As of 31 January 2019, 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 2018: Blue International Holding B.V. 27.41%). As a result of the transfer of shares to Fatma Elif Akarlılar, Hayriye Fethiye Akarlılar and Seyhan Akarlılar on 07/11/2018, Blue International Holding B.V.'s ownership interest in the Company's share capital was reduced to 0.22%. 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 2019 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 2019 and 2018 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 January 2019	**31 January 2018**
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[(1)]	Canada	Wholesale and retail sales of apparel	63.25	38.25
Mavi Kazakhstan [(2)]	Kazakhstan	Retail sales of apparel	100.00	100.00

[(1)]Shares representing 25% of Mavi Canada's capital were purchased on 21 May 2018.(Note 2.6)

[(2)] 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 2019.

As of 31 January 2019, Group's total number of employees is 3,911 (31 January 2018: 3,605).

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 14 March 2019. General Assembly has 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 2.3 (t).

(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")
Mavi Kazakhstan	Kazakhstan Tenge ("KZT")
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 and 21 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.

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 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 the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit, or loss immediately.

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of:
(i) the consideration transferred measured in accordance with this IFRS, which generally requires acquisition-date fair value
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS.

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration are recognized in the profit or loss except the new information is obtained about facts and circumstances that existed as of the acquisition date accounted on goodwill. The identifiable assets and liabilities, the consideration transferred and the resulting goodwill may change during the measurement period.

(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.

(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

i) Foreign currency transactions

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

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

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, CAD or KZT 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.

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

	31 January 2019	31 January 2018
TL / EUR	6.0339	4.6824
TL / USD	5.2781	3.7795
TL / RUB	0.0795	0.0667
TL / KZT	0.0137	0.0119
TL / CAD	3.9804	3.0578

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

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
TL / EUR	5.8358	4.5884
TL / USD	4.9929	3.7680
TL / RUB	0.0775	0.0661
TL / KZT	0.0142	0.0112
TL / CAD	3.8179	3.0228

2.3 Summary of significant accounting policies

(a) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments. The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance retained earnings:

	1 February 2018 - IFRS 9 Standard impact
Retained earnings	
IFRS 9 : Effect of fair value of trade receivables	1,004
IFRS 9 : Effect of expected credit loss	(729)
Tax effect	(60)
Opening balance due to IFRS 9 (1 February 2018)	**215**

The details of IFRS 9 accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

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

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

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

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

2.3 Summary of significant accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

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

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

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

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

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. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 February 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 February 2018.

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

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

2.3 Summary of significant accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	266,280	266,280
Trade receivables	Loans and receivables	Amortised cost	112,996	113,271
Other Receivables	Loans and receivables	Amortised cost	37,363	37,363

*ii.*Impairment of financial assets

New impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- Financial assets measured at amortized cost;

The Group measures loss allowances at an amount equal to lifetime Expected credit or losses ("ECL"), except for the following, which are measured as 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
- The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

2.3 Summary of significant accounting policies (continued)

(a) IFRS 9 Financial Instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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

The Group uses a simplified approach for calculating expected credit losses as defined in IFRS 9 for trade receivables, other receivables, other assets and contract assets (IFRS 9 requires the use of expected life impairments for all trade receivables).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. 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 amortised cost are deducted from the gross carrying amount of the assets.

Impairment

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Since 1 February 2018, there is no effect on the provision for impairment of the new model in accordance with IFRS 9.

Transition

The Company has used the exception to the restatement of comparative information for prior periods in respect of classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS 9 were recognized in retained earnings as of 1 February 2018. Accordingly, information presented for the year ending 31 January 2018 is generally prepared in accordance with IAS 39, not IFRS 9.

(b) Property and equipment

i) 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)*

2.3 Summary of significant accounting policies (continued)

(b) Property and equipment (continued)

i) Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

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.

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

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.

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

2.3 Summary of significant accounting policies (continued)

(c) Intangible assets and goodwill (continued)

iii) Amortisation

Except for goodwill, customer relationship and 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.

(e) Impairment

i) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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.

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

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

2.3 Summary of significant accounting policies (continued)

(f) Employee benefits

i) Long term employee benefits

Provision for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Such payments are calculated on the basis of 30 days' pay, limited to a maximum of TL 6,018 at 31 January 2019 (31 January 2018: TL 5,002) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee benefits represent the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. 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 average wages of two unemployed months from the Group company.

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 employees, as of 31 January 2019, and 2018 basic assumptions are presented as follows:

	31 January 2019	**31 January 2018**
	%	**%**
Discount rate	5.45	3.74
Inflation rate	10.00	7.00

The actuarial gains/losses are recognised under other comprehensive income.

The Group has not recorded any reserve for employee severance payments for its employees in foreign subsidiaries 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. Group are 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)*

2.3 Summary of significant accounting policies (continued)

(g) 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.

(h) 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

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

2.3 Summary of significant accounting policies (continued)

(i) IFRS 15 "Revenue from contracts with customers" (continued)

i) Goods sold (continued)

In accordance with IFRS 15, effective from 1 January 2018, a five-stage approach is followed in recognizing revenue from sales for all contracts with customers.

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the entity satisfies a performance obligation

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The Group's significant accounting policies for the recognition of revenue for goods sold and services rendered is summarized below:

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. E-Commerce 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.

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.

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

2.3 Summary of significant accounting policies (continued)

(i) IFRS 15 "Revenue from contracts with customers" (continued)

***i) Goods sold* (continued)**

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.
IFRS 15 did not have a significant impact on the Group's accounting policies with respect to revenue streams which are wholesale, retail sales, e-commerce sales revenues and discounts from suppliers.

(j) Income/(expense) from investing activities

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

(k) 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.

(l) Leasing transactions

i) Leased assets

A lease of property, plant and equipment that transfers to the Group substantially all of the risks and rewards of ownership is classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

ii) Operating leases

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

iii) Lease payments

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Deferred lease inducements represents inducements provided by the landlord for leasehold improvements. The amortization of deferred lease inducements is recorded as a reduction of rent expense over the term of the lease.

(m) Research and development

The Group has a separate department which operates to research and develop new fabric and design. 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.

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

2.3 Summary of significant accounting policies (continued)

(n) Finance income and finance cost (continued)

Foreign currency gains and losses on financial assets and financial liabilities 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,
- 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.

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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 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.

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

2.3 Summary of significant accounting policies *(continued)*

(o) Tax (continued)

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.

(q) Measurement of fair values

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 determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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.

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

2.3 Summary of significant accounting policies *(continued)*

(q) Measurement of fair values (continued)

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.

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.

i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. This fair value is determined for disclosure purposes or when acquired in a business combination.

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, plant 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.

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

2.3 Summary of significant accounting policies *(continued)*

(q) Measurement of fair values (continued)

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 excess earnings methods and replacement cost approach.

2.4 Standards issued but not yet effective and not early adopted

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

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

The revised Conceptual Framework

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

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

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

Annual Improvements to IFRSs 2015-2017 Cycle
Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

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

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.
The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment Features With Negative Compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

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

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

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

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

2.5 Transactions with non-controlling interests

The difference between the total acquisition amount and the share of the net assets in the financial statements prepared in accordance with IFRS of Mavi Canada, 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 2018- 31 January 2019			1 February 2017- 31 January 2018		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Segment revenue [1]	**1,914,936**	**437,914**	**2,352,850**	**1,453,145**	**328,511**	**1,781,656**
-Retail	1,470,613	60,660	1,531,273	1,132,652	49,820	1,182,472
-Wholesale	400,879	342,578	743,457	297,855	262,809	560,664
-E-commerce	43,444	34,676	78,120	22,638	15,882	38,520
Segment profit before tax	**109,286**	**23,067**	**132,353**	**101,796**	**10,445**	**112,241**

	31 January 2019			31 January 2018		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	**1,100,349**	**243,561**	**1,343,910**	**969,900**	**105,343**	**1,075,243**
Total segment liabilities	**821,701**	**185,041**	**1,006,742**	**711,002**	**117,060**	**828,062**

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 2019 and 2018 cash and cash equivalents comprises the following:

	31 January 2019	31 January 2018
Cash on hand	1,885	1,243
Cash at banks	129,636	153,898
Demand deposits	*21,831*	*37,972*
Time deposits	*107,805*	*115,926*
Other cash and cash equivalents	135,050	111,139
Cash and cash equivalents in the statement of consolidated financial statement	**266,571**	**266,280**
Bank overdrafts	(4,548)	(3,806)
Cash and cash equivalents in the statement of consolidated cash flows	**262,023**	**262,474**

As at 31 January 2019 and 2018, other cash and cash equivalents consist of credit card receivables with maturities less than 3 months.

As at 31 January 2019 and 2018, the details of time deposits based on maturity dates and interest rates of the Groups are as below:

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

	Maturity	Interest rate	31 January 2018
TL	1 February 2018	13.00%	61,203
USD	1 February 2018	1.00%-1.80%	30,112
EUR	1 February 2018	0.75%	24,611
			115,926

As at 31 January 2019 and 2018, 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 2019 and 2018, financial borrowings comprise the following:

	31 January 2019	31 January 2018
Current liabilities		
Unsecured bank loans	75,194	176,465
Secured bank loans	--	35
Current portion of unsecured bank loans	204,317	128,793
Bank overdraft (Note 4)	4,548	3,806
	284,059	**309,099**
Non-current liabilities		
Unsecured bank loans	91,985	68,736
	91,985	**68,736**

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

5 Loans and borrowings (continued)

As at 31 January 2019 and 2018 loan and borrowings comprised the following:

	31 January 2019	31 January 2018
Bank loans	376,044	377,835
	376,044	**377,835**

As at 31 January 2019 and 2018 the repayments of loan agreements according to the original maturities comprised the following:

	31 January 2019	31 January 2018
Less than one year	284,059	309,099
One to two years	79,869	61,396
Two to three years	11,877	7,000
Three to four years	239	340
	376,044	**377,835**

As of 31 January 2019 and 2018 maturities and conditions of outstanding loans comprised the following:

	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.

	31 January 2018				
	Currency	**Nominal interest rate%**	**Maturity**	**Face value**	**Carrying amount**
Unsecured bank loans	EUR	0.00%-2.99%	2018-2019	36,247	36,541
Unsecured bank loans	TL	0.00%-18.13%	2018-2020	288,541	289,651
Unsecured bank loans	USD	4.05%-4.69%	2018-2021	50,763	51,126
Unsecured bank loans	CAD	3.45%	2018	482	482
Secured bank loans	CAD	0.00%	2020	35	35
				376,068	**377,835**

(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 2019, 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 2019	31 January 2018
Erak Giyim Sanayi Ticaret A.Ş. ("Erak")[1]	20,949	14,908
	20,949	**14,908**

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

	31 January 2019	31 January 2018
Due to related parties		
Erak[1]	149,035	111,841
Akay Lelmalabis Elgazhizah LLC ("Akay") [2]	6,070	10,579
Kitsch Apparel Inc. ("Kitsch Apparel")	--	252
	155,105	**122,672**

[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 2019 and 31 January 2018, other short term payables to related parties comprised the following:

	31 January 2019	31 January 2018
Other payables to related parties		
Eflatun Giyim shareholders[1]	10,330	7,420
Short term other payables to related parties	**10,330**	**7,420**

[1]Payables to Eflatun Giyim shareholders mainly comprised of contingent payables due to the acquisition of Eflatun Giyim.

(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 2019 and 2018, purchases from related parties of the Group comprised the following:

	31 January 2019	31 January 2018
Purchase from related parties		
Erak	393,662	319,149
Akay	92,376	48,679
	486,038	**367,828**

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

For the years ended 31 January 2019 and 2018, the services given to related parties of the Group comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Services given to related parties		
Mavi LLC	--	34
	--	**34**

For the years ended 31 January 2019 and 2018, the services from related parties of the Group comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Services from related parties		
Erak (1)	1,490	1,123
CM Objekt Heusenstamm GBR (2)	979	685
Mavi Jeans Holding Inc.(4)	742	553
Sylvia House Inc.(3)	678	537
Erma	--	3
	3,889	**2,901**

(1) The Group rented Çerkezköy and Bayrampaşa retail stores from Erak.

(2) Mavi Europe rented its office from CM Objekt Heusenstamm GBR.

(3) Mavi Canada rented its office in Yaletown, Vancouver from Sylvia House Inc.

(4) Mavi Canada rented its Office and warehouse from Mavi Jeans Holding Inc.

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

For the years ended 31 January, short term benefits provided to senior management and board of directors amounted to TL 44,160 (31 January 2018: TL 32,160).

For the years ended 31 January, the Group does not have any payables to any board of director or key management personnel of the Group.

7 Trade receivables and payables

Short term trade receivables

As at 31 January 2019 and 31 January 2018, short term trade receivables are as follows:

	31 January 2019	31 January 2018
Trade receivables from third parties	168,593	112,996
	168,593	**112,996**

(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 2019 and 31 January 2018, short term trade receivables from others are as follows:

	31 January 2019	31 January 2018
Trade receivables	137,955	102,414
Post-dated cheques	10,736	7,319
Endorsed cheques	3,082	3,263
Notes receivables	18,007	--
Expected credit losses	(1,187)	--
Doubtful receivables	16,578	12,762
Allowance for doubtful receivables (-)	(16,578)	(12,762)
	168,593	**112,996**

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 2019 and 31 January 2018, short term trade payables of the Group are as follows:

	31 January 2019	31 January 2018
Trade payables to third parties	355,179	243,783
Trade payables to related parties	155,105	122,672
	510,284	**366,455**

As at 31 January 2019 and 31 January 2018, short term trade payables from others are as follows:

	31 January 2019	31 January 2018
Trade payables to third parties(1)	346,196	235,394
Expense accruals	8,983	8,389
	355,179	**243,783**

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

(1) Trade payables to third parties comprise factoring payables amounting TL 51,239

(31 January 2018: TL 77,708).

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 2019 and 2018, short term other receivables of the Group are as follows:

	31 January 2019	31 January 2018
Other receivables from third parties	17,059	24,187
	17,059	**24,187**

As at 31 January 2019 and 2018, short term other receivables from third parties of the Group are as follows:

	31 January 2019	31 January 2018
Receivables from public institutions (1)	14,880	23,287
Other short term receivables	2,179	900
	17,059	**24,187**

(1) Receivables from public institutions consist of the Group's receivables related to Turquality incentive program amounting to TL 3,369 (31 January 2018: TL 4,969) and value added tax receivables amounting to TL 11,377 (31 January 2018: TL 17,064).

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 2019 and 2018, long term other receivables of the Group are as follows:

	31 January 2019	31 January 2018
Other receivables from third parties	2,411	2,981
	2,411	**2,981**

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 2019 and 2018, short term other payables of the Group are as follows:

	31 January 2019	31 January 2018
Other payables to related parties (Note 6)	10,330	7,420
Other payables to third parties	6,204	6,199
	16,534	**13,619**

As at 31 January 2019 and 2018, other payables to third parties of the Group are as follows:

	31 January 2019	31 January 2018
Taxes and duties payable	6,198	5,512
Other payables	6	687
	6,204	**6,199**

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 2019 and 2018, inventories are as follows:

	31 January 2019	31 January 2018
Trade goods	436,004	319,373
Consignment trade goods	29,999	11,746
Goods in transit	6,293	4,688
Provision for impairment on inventory (-)	(15,067)	(15,456)
	457,229	**320,351**

As at 31 January 2019 there is no pledge on inventories (31 January 2018: nil).

As at 31 January 2019 and 2018, the provision for impairment on inventory is as follows:

	31 January 2019	31 January 2018
Opening balance	15,456	18,845
Provision for the year	19,026	10,553
Provision cancellations	(1,625)	--
Write-off	(19,314)	(14,571)
Effect of movements in exchange rates	1,524	629
Closing balance	**15,067**	**15,456**

As of the year ending on 31 January 2019, inventories of TL 19,026 (31 January 2018: TL 10,553) 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, during the year ended on 31 January 2019, inventories of TL 19,314

(31 January 2018; TL 14,571) 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 2019 and 2018, the remaining balance of prepayments under current and non-current assets is as follows:

	31 January 2019	31 January 2018
Advances given[1]	25,105	16,807
Prepaid advertising and marketing expenses	5,823	1,752
Prepaid rent expenses	2,468	2,134
Prepaid stamp tax and duties expenses	534	568
Prepaid insurance expenses	479	727
Other prepaid expenses	3,690	1,476
Total prepaid expenses	**38,099**	**23,464**
Long term prepaid expenses	**114**	**106**
Short term prepaid expenses	**37,985**	**23,358**

[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 2019 and 2018, deferred revenue of the Group are as follows:

	31 January 2019	31 January 2018
Customer loyalty claims[1]	14,923	12,625
Corporate sales [2]	1,671	1,568
Salary protocol	356	889
Rent income	255	125
Total deferred revenue	**17,205**	**15,207**
Short term deferred revenue	**17,086**	**14,566**
Long term deferred revenue	**119**	**641**

[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 2019 and 31 January 2018 is as follows:

	Vehicles	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Cost					
1 February 2017 opening balance	**241**	**163,281**	**138,193**	**699**	**302,414**
Effect of movements in exchange rates	3	1,201	3,435	--	4,639
Additions	--	38,039	22,902	8,309	69,250
Disposals	--	(280)	(1,964)	--	(2,244)
Transfers[1]	--	5,610	3,348	(9,008)	(50)
31 January 2018 closing balance	**244**	**207,851**	**165,914**	**--**	**374,009**
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] Transfers of TL 28 as at 31 January 2019, and TL 50 as at 31 January 2018 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 2019 and 2018 is as follows:

	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated Depreciation					
1 February 2017 opening balance	**71**	**94,509**	**71,255**	**--**	**165,835**
Effect of movements in exchange rates	--	917	1,842	--	2,759
Depreciation for the year	48	26,319	24,391	--	50,758
Disposals	--	(192)	(1,184)	--	(1,376)
31 January 2018 closing balance	**119**	**121,553**	**96,304**	**--**	**217,976**
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**
31 January 2018 carrying amount	**125**	**86,298**	**69,610**	**--**	**156,033**
31 January 2019 carrying amount	**49**	**91,567**	**65,452**	**2,671**	**159,739**

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

11 Property and equipment *(continued)*

For the year ended 31 January 2019, TL 4,829 (and for the year ended 31 January 2018: TL 4,331) of depreciation expenses are included under administrative expenses, TL 51,871 (31 January 2018: TL 45,958) under selling and marketing expenses and TL 479 (31 January 2018: TL 469) under research and development expenses.

As of 31 January 2019, there is no pledge on property and equipment (31 January 2018: nil).

As at 31 January 2019 the amount of insurance on property and equipment is TL 323,309 (31 January 2018: TL 270,937).

12 Intangible assets

The movement of intangible assets as at 31 January 2019 and 2018 are as follows:

	Licenses	Customer relationships	Brand	Development Costs[1]	Total
Cost					
1 February 2017 balance	**43,365**	**44,072**	**923**	**--**	**88,360**
Additions	3,517	--	--	--	3,517
Effect of movements in exchange rates	333	(1)	--	--	332
Transfers	50	--	--	--	50
Disposals	(7)	--	--	--	(7)
31 January 2018 balance	**47,258**	**44,071**	**923**	**--**	**92,252**
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)Consist of capitalized design and development expensesin accordance with incentive programme.

(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 2017 balance	**27,974**	**4,795**	**40**	**--**	**32,809**
Current year amortisation	6,909	4,140	86	--	11,135
Effect of movements in exchange rates	215	197	--		412
Disposals	(4)	--	--	--	(4)
31 January 2018 balance	**35,094**	**9,132**	**126**		**44,352**
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**
Carrying amount					
31 January 2018 balance	**12,164**	**34,939**	**797**	**--**	**47,900**
31 January 2019 balance	**10,479**	**42,194**	**711**	**4,192**	**57,576**

For the year ended 31 January 2019, TL 10,393 (31 January 2018: TL 8,663) of amortisation expenses are included under general administrative expenses and TL 1,990 (31 January 2018: TL 2,472) under selling and marketing expenses, and TL 161 (31 January 2018: TL nil) under research and development expenses.

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

13 Goodwill

The movement of goodwill as at 31 January 2019 and 2018 is as follows:

Cost	**31 January 2019**	**31 January 2018**
As of 1 February	**100,996**	**101,769**
Effect of movements in exchange rates	37,179	(773)
As of 31 January	**138,175**	**100,996**
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	**136,878**	**99,699**

Impairment test for cash generating units with allocated goodwill

Goodwill is allocated to cash generating units for impairment test purposes. As of 31 January 2019 and 2018, 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 2019	**31 January 2018**
Mavi America	121,163	86,762
Mavi Canada	11,982	9,204
Other	3,733	3,733
	136,878	**99,699**

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

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 2019 and 2018. The income approach (discounted cash flow method) is used to determine the fair value of CGUs of 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 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 10.1%, 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 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 10.1%.

Terminal growth rate

Mavi USA and Mavi Canada has five years cash flows included in their discounted cash flow models. A long term growth rate into perpetuity has been determined as the lower nominal GDP rates for USA and Canada in which Mavi USA and Mavi Canada is based 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.

Mavi USA operations

In percent	**31 January 2019**	**31 January 2018**
Discount rate in USD	12.2%	10.6%
Terminal value growth rate	1.8%	2.3%
Budgeted EBITDA margin (at terminal value)	18.6%	17.2%

Mavi Canada operations

In percent	**31 January 2019**	**31 January 2018**
Discount rate in CAD	10.1%	10.1%
Terminal value growth rate	2.2%	2.0%
Budgeted EBITDA margin (at terminal value)	12.0%	9.6%

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

13 Goodwill *(continued)*

Mavi Canada

As of 31 January 2019, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 43,418. 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 15.9% 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 10.3% decrease in EBITDA / net sales ratio.

Mavi USA

As of 31 January 2019, estimated recoverable amount of the CGU exceeded its carrying amount by approximately TL 16,750. 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 1.5% 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 1.4% decrease in EBITDA / net sales ratio.

14 Operating leases

Leases as lessee

For the years ended 31 January 2019 and 2018, total minimum lease payments pursuant to leases are as follows:

	31 January 2019	**31 January 2018**
Less than one year	229,708	215,964
1-5 year	894,494	516,049
More than 5 years	128,282	70,285
	1,252,484	**802,298**

Group has leased retail stores and its head office through an operating lease.

Group has recognized expenses related to operating leases amounting to TL 303,783 (31 January 2018: TL 231,159) in the statement of profit or loss and other comprehensive income.

(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 2019 and 2018, short term provisions are as follows:

	31 January 2019	31 January 2018
Provision for employee benefits	2,679	2,359
Other short term provisions	10,355	7,408
	13,034	**9,767**

Short term provision for employee benefits consists of provision for vacation pay liability. For the years ended 31 January 2019 and 31 January 2018, the movement of provision for vacation liability is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
1 February balance	2,359	2,159
Effect of movements in exchange rates	243	61
Paid benefits	(613)	(726)
Current period provision	690	865
31 January balance	**2,679**	**2,359**

Vacation pay liability is calculated by remaining number of unused vacation days and average daily salary.

(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 2019 and 2018, the movement of other short term provisions is as follows:

	31 January 2019	31 January 2018
Return provision	5,014	4,728
Legal provision	1,863	1,585
Other provisions	3,478	1,095
	10,355	**7,408**

Short term provisions

For the years ended 31 January 2019 and 2018, the movement of short term provision is as follows:

	Legal provision[1]	Return provisions	Other provision	Total
1 February 2017 balance	**1,892**	**4,817**	**1,762**	**8,471**
Current year provision	268	253	1,095	1,616
Effect of movements in exchange rates	--	275	83	358
Provisions used during year	--	(109)	(895)	(1,004)
Provision cancellations	(575)	(508)	(950)	(2,033)
31 January 2018 balance	**1,585**	**4,728**	**1,095**	**7,408**
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] Legal provisions mainly comprise of labour lawsuits.

Long term provisions

For the years ended 31 January 2019 and 2018, the movement of long term provisions is as follows:

	31 January 2019	31 January 2018
Long term provisions for employee benefits	5,018	4,741
	5,018	**4,741**

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 2019 and 2018, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 January 2019					
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**	**CAD**
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)*

	31 January 2018					
	TL Equivalent	**TL**	**EUR**	**RUB**	**USD**	**CAD**
A. On behalf of its own legal personality of the total amount of GPMs	**79,391**	**5,082**	**12,446**	**--**	**4,217**	**--**
Guarantee	79,391	5,082	12,446	--	4,217	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	**1,059**	--	**15**	**14,241**	**--**	**12**
Guarantee	1,024		15	14,241		--
Pledge	--					--
Mortgage	35	--	--	--	--	**12**
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	**80,450**	**5,082**	**12,461**	**14,241**	**4,217**	**12**

(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 2019, ratio of CPM given by the Group to equity was 0% (31 January 2018: 0%).

As of 31 January 2019, letter of guarantees given to third parties for the amount of TL 15,343 are representing guarantees given to Eximbank for the purpose of importing goods (31 January 2018: TL 30,269).

The Group has purchase commitments related to inventory amounting to TL 576,921 as of 31 January 2019 (31 January 2018: TL 313,697).

(b) Guarantees received

As of 31 January 2019, Group has received letter of guarantees for the amount of TL 7,502 as in the form of security (31 January 2018: TL 7,588).

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 6,018 at 31 January 2019 (31 January 2018: TL 5,002) 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 2019 and 2018, 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 2019	**31 January 2018**
Discount rate (%)	5.45	3.74
Estimated inflation (%)	10.00	7.00

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 2019 and 2018 the movement of provision for severance pay liability is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Opening balance	4,741	3,151
Interest cost	422	276
Service cost	4,541	3,335
Paid benefits	(3,934)	(2,935)
Effect of movements in exchange rates	126	37
Actuarial difference	(878)	877
Ending balance	**5,018**	**4,741**

18 Payables to employees

As at 31 January 2019 and 2018 payables to employees are as follows:

	31 January 2019	31 January 2018
Payables to personnel(1)	28,071	14,093
Social security premiums payable	4,441	3,988
	32,512	**18,081**

(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 2019 and 2018, other current assets are as follows:

	31 January 2019	31 January 2018
Transferred value added tax (“VAT”)	22,070	13,176
	22,070	**13,176**

Other current liabilities

As at 31 January 2019 and 2018, other current liabilities are as follows:

	31 January 2019	31 January 2018
Advances received	11,116	5,320
VAT payable	--	559
	11,116	**5,879**

(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 2019 and 2018, paid capital is as follows:

	%	31 January 2019	%	31 January 2018
Akarlılar Ailesi	27.19	13,500	--	--
Blue International	0.22	108	27.41	13,608
Publicly held	72.60	36,049	72.59	36,049
	100.00	**49,657**	**100.00**	**49,657**

As of 31 January 2019 paid-in capital of the Company comprises 49,657,000 shares issued of TL 1 each (31 January 2018: 49,657,000 shares).

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

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).

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

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

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 2019, the Company's legal reserves are amounting to TL 19,771 (31 January 2018: TL 17,427).

Dividends

As of 31 January 2019, the Group has distributed dividends amounting TL 25,925 (2018: nil) from distributable 2018 consolidated net income.

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 2019 and 2018, revenue comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Sales of goods	2,350,333	1,779,071
Service revenue[1]	2,517	2,585
	2,352,850	**1,781,656**

[1] Service revenue mainly comprised royalty.

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

22 Cost of sales

For the years ended 31 January 2019 and 2018, cost of sales comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Cost of goods sold	1,144,905	875,313
	1,144,905	**875,313**

23 Administrative expenses, selling and marketing expenses

For the years ended 31 January 2019 and 2018, administrative expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Personnel expenses	77,567	58,871
Depreciation and amortization expenses (Note 11, 12)	15,222	12,994
Rent expenses	10,893	9,395
Office materials expenses	4,460	3,962
Consultancy expenses	4,097	3,827
Travel expenses	3,089	2,664
General office expenses	2,643	1,616
Other	10,126	6,988
	128,097	**100,317**

For the years ended 31 January 2019 and 2018, selling and marketing expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Rent expenses	292,890	221,764
Personnel expenses	250,887	201,810
Depreciation and amortization expenses (Note 11, 12)	53,861	48,430
Outsourced logistics expenses	32,594	23,578
Advertising expenses	31,091	23,743
Freight-out expenses	20,328	14,435
Travel expenses	9,342	7,540
Other	71,152	52,742
	762,145	**594,042**

24 Research and development expenses

For the years ended 31 January 2019 and 2018, research and development expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Personnel expenses	19,157	19,319
Travel expenses	1,007	1,152
Depreciation and amortization expenses (Note 11-12)	640	469
Other	1,644	2,118
	22,448	**23,058**

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

25 Other income and expense

For the years ended 31 January 2019 and 2018, other operating income comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Receivables and payables, interest income net	8,696	2,039
Income from expired gift cards	1,095	--
Salary protocol income	533	533
Damage compensation income (2)	178	420
Turquality income (1)	--	1,127
Foreign exchange gain and loss, net	13	379
Gain on amendments to IFRS 9	200	--
Other	1,528	427
	12,243	**4,925**

(1) Consists of income from Turquality decoration incentive program.
(2) Income from insurance claims.

For the years ended 31 January 2019 and 2018, other expenses comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Foreign exchange gain and loss, net	9,002	220
Expense related to store closings	107	907
Loss on amendments to IFRS 9	592	--
Other	325	371
	10,026	**1,498**

(1) Expense related to closure of legally owned stores in Kazakhstan.

26 Gains and losses from investment activities

For the years ended 31 January 2019 and 2018, gains from investment activities comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Gain on sale of fixed assets	**--**	39
	--	**39**

For the years ended 31 January 2019 and 2018, , losses from investment activities comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Losses on sale of fixed assets	359	**--**
	359	--

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

27 Expenses by nature

For the years ended 31 January 2019 and 2018, expenses by nature are as follows:

Depreciation and amortization expenses

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Selling and marketing expenses (Note 23)	53,861	48,430
Administrative expenses (Note 23)	15,222	12,994
Research and development expenses (Note 24)	640	469
	69,723	**61,893**

Expenses related to personnel

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Selling and marketing expenses (Note 23)	250,887	201,810
Administrative expense (Note 23)	77,567	58,871
Research and development (Note 24)	19,157	19,319
	347,611	**280,000**

For the years ended 31 January 2019 and 2018, the details of expenses related to personnel are as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Wages and salaries	201,087	165,342
Bonus expense	55,009	45,510
Social security premiums	34,569	29,379
Meal expenses	15,943	13,131
Overtime expenses	10,039	7,699
Employee termination benefit expenses (Note: 15-17)	8,408	5,386
Personnel travel expenses	5,463	4,637
Other	17,093	8,916
	347,611	**280,000**

28 Finance income

For the years ended 31 January 2019 and 2018, finance income comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Interest income on:		
Time deposits	4,665	1,024
	4,665	**1,024**
Foreign exchange gain	200	806
Other	4	--
	4,869	**1,830**

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

29 Finance costs

For the years ended 31 January 2019 and 2018, finance costs comprised the following:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Interest expense on:		
Interest expenses on purchases	52,188	25,733
Financial liabilities measured at amortised cost	46,207	31,030
	98,395	**56,763**
Change in fair value of forward contracts	45,774	7,329
Credit card commission expenses	6,669	6,489
Foreign exchange loss	9,301	5,672
Import financing expenses	8,030	4,617
Other	1,460	1,111
	169,629	**81,981**

30 Income taxes

Corporate tax

In Turkey, corporate tax rate is 22% as of 31 January 2019 (2018: 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% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2018. 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.

According to the law numbered 6824, which is Restructuring of Certain Receivables and Changes in Certain Laws and Legislative Decrees" and law numbered 193 which is Income Tax Law repealed article 121 which was published in the Official Gazette dated on March 8, 2017, tax discount which was newly regulated on tax consonant taxpayers started to implement since 01.January.2018. The Group will benefit from the upper limit of the tax allowance of 1.000.000 TL for 2017 Corporate Tax Expenditure.

As of 31 January 2019 and 2018 tax rates used in deferred tax calculation according to the tax laws of the countries except Turkey is as follows:

Country	31 January 2019	31 January 2018
Russia	20%	20%
Germany	30%	29.72%
Netherlands	20%	20%
America	23.4%	34%
Canada	26.88%	26.3%

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 U.S. levies an income tax on a corporation's "taxable income". Taxable income equals a corporation's gross worldwide income less deductions allowed under the federal income tax law. Worldwide income includes income from a business, compensation for services, rent, royalties, dividends, gain from property transactions, and partnership income. In general, corporations are permitted to deduct ordinary and necessary business expenses that are incurred in the corporation's trade or business, depreciation on business property, and certain losses related to the business. Business-related expenses are only deductible if the U.S. income tax laws do not otherwise require the expenses to be capitalized.

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 0.825% (5.5 %of the corporate income tax) and municipal trade tax which varies between 7% and 17.15%. 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.

Transfer pricing

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate 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 2019 and 2018, tax expense recognized in profit loss comprised the following:

	1 February 2018 – 31 January 2019	**1 February 2017 – 31 January 2018**
Current tax expense:		
Current year tax expense	(27,625)	(23,936)
	(27,625)	**(23,936)**
Deferred tax income		
Deferred tax (expense)/ income on temporary differences	(3,954)	1,697
Total tax expense	**(31,579)**	**(22,239)**

For the years ended 31 January 2019 and 2018, tax income recognized in other comprehensive income the following:

	1 February 2018 – 31 January 2019	**1 February 2017 – 31 January 2018**
Tax income:		
Deferred taxes related to remeasurements of defined benefit liability	(193)	193
Tax expense:		
Foreign operations - foreign currency translation differences	(2,289)	(185)

For the years ended 31 January 2019 and 2018, the details of the current tax assets/liabilities is as follows:

	1 February 2018 – 31 January 2019	**1 February 2017 – 31 January 2018**
Prior year prepaid taxes (taxes payable) on income, net	4,293	(5,084)
Current year tax expense	27,625	23,936
Corporate taxes paid	(44,991)	(14,559)
Total prepaid taxes (taxes payable) on income, net	**(13,073)**	**4,293**
Current tax asset	(15,805)	(183)
Current tax liabilities	2,732	4,476

(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 2019 and 2018 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	%	**1 February 2018 – 31 January 2019**	**%**	**1 February 2017 – 31 January 2018**
Profit for the year		**100,774**		**90,002**
Total income tax expense		(31,579)		(22,239)
Profit before tax		132,353		112,241
Income tax using domestic tax rate	(22)	(29,118)	(20)	(22,448)
Effect of tax rates in foreign jurisdictions	(0.3)	(413)	(1.6)	(1,749)
Non-deductible expenses[1]	(1.9)	(2,563)	(1.7)	(1,858)
Tax exempt income	0.7	958	0.1	74
Changes in estimates related to prior years	(0.2)	(204)	--	--
Use of put option liability	--	--	(1.7)	(1,892)
Mavi America tax adjustment	--	--	3.5	3,913
Tax incentive	--	--	0.9	1,000
Other	(0.2)	(239)	0.6	714
Current tax expense	**(23.9)**	**(31,579)**	**(19.8)**	**(22,239)**

[1]For the year ending 31 January 2019 tax effect of non-deductible expenses mainly consists of inventory counting differences amounting to TL 8,059 (31 January 2018: Inventory counting differences: TL 6,006).

Unrecognized deferred tax asset

For the year ending 31 January 2019 the Group has not have tax losses for carried forward which no deferred tax asset was recognized (31 January 2018: 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 deferred tax liabilities for the years ended 31 January 2019 and 2018 are attributable to the items detailed in the table below:

	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)
Derivative Instruments	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)**	

	31 January 2018		
	Assets	**Liabilities**	**Net amount**
Property and equipment	18,458	(21,817)	(3,359)
Intangible assets	2,416	(13,357)	(10,941)
Inventories	5,868	--	5,868
Trade and other receivables	636	(1,792)	(1,156)
Derivative Instruments	--	(185)	(185)
Trade and other payables	5,778	(1,620)	4,158
Provisions	60	--	60
Employee benefits	316	--	316
Loans and borrowings	21,384	(21,307)	77
Tax losses carried forward	688	--	688
Other temporary differences	--	(148)	(148)
Total	**55,604**	**(60,226)**	**(4,622)**
Set-off tax	**(48,459)**	**48,459**	
	7,145	**(11,767)**	

(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 2018	Recognised in profit or loss	Recognised in comprehensive income and expense	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)
Derivative Instruments	(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)**

	1 February 2017	Recognised in profit or loss	Recognised in comprehensive income and expense	Effect of movements in exchange rates	31 January 2018
Property and equipment	(3,060)	(299)	--	--	(3,359)
Intangible assets	(12,796)	1,855	--	--	(10,941)
Inventories	3,495	2,373	--	--	5,868
Due from related parties	(69)	69	--	--	--
Trade and other receivables	(910)	(246)	--	--	(1,156)
Derivative Instruments	--	--	(185)	--	(185)
Trade and other payables	833	3,325	--	--	4,158
Provisions	682	(622)	--	--	60
Employee benefits	519	(203)	171	(171)	316
Loans and borrowings	58	19	--	--	77
Tax losses carried forward	2,945	(2,257)	--	--	688
Put option liability	1,916	(1,916)	--	--	--
Other temporary differences	(265)	(401)	--	518	(148)
	(6,652)	**1,697**	**(14)**	**347**	**(4,622)**

(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 2019 and 2018 is as follows:

	31 January 2019	**31 January 2018**
Net profit for the year attributable to owners of the Company	91,517	85,871
Weighted average number of ordinary shares (basic)	49,657	49,657
Earnings per ordinary share	**1.8430**	**1.7293**

32 Derivatives

As at 31 January 2019 and 2018, short term derivative assets are as follows:

	31 January 2019	**31 January 2018**
Liabilities from the forward exvhange contracts	(9,562)	(235)
Forward exchange contracts used for hedge accounting	--	848
Other forward exchange contracts	(15)	--
	(9,577)	**613**

As of 31 January 2019, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 22,388 thousand in equivalent of TL 118,166 and EUR 105 in equivalent of TL 633. By applying hedge accounting, the fair value difference of TL 9,562, 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.

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.

33 Financial instruments *(continued)*

Credit risk *(continued)*

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 2019, the DDS limit of the Company is amounting TL 127,552 thousand (31 January 2018: 109,806 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.

33 Financial instruments *(continued)*

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, RUB and KZT.

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:

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)*

31 January 2018	Receivables				
	Trade receivables		Other receivables		
	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)	--	**112,996**	--	**27,168**	**265,037**
- Portion of maximum risk covered by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	--	107,442	--	27,168	265,037
B. Net book value of financial assets which are overdue, but not impaired	--	5,554	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	5,145	7,617	--	--	--
- Impairment (-)	(5,145)	(7,617)	--	--	--
-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 2018	Receivables	
	Trade receivables	Other receivables
Past due between 1-30 days	2,286	--
Past due between 1-3 months	2,531	--
Past due between 3-12 months	737	--
Total past due	**5,554**	--

[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 2019 and 2018, movement of the provision for doubtful receivables is as follows:

	1 February 2018 – 31 January 2019	1 February 2017 – 31 January 2018
Balance beginning	12,762	14,037
Current year provision	386	471
Allowances no longer required	(56)	(763)
Write-offs	(91)	(1,092)
Effect of movements in exchange rates	3,577	109
Balance ending	**16,578**	**12,762**

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 2019 and 2018, maturities of financial liabilities including estimated interest payments based on repayment schedules are included below:

31 January 2019	Note	Carrying amount	Contractual cash	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**

31 January 2018	Note	Carrying amount	Contractual cash flow	3 month or less	3-12 months	1-5 year
Non derivative financial liabilities						
Bank loans	5	377,835	399,782	199,262	119,966	80,554
Trade payables to third parties	7	243,783	240,644	211,037	29,607	--
Trade payables to related parties	6	122,672	123,095	41,568	81,527	--
Other payables to related parties	6	7,420	7,420	7,420	--	--
Payables to employees	18	18,081	18,081	18,081	--	--
Total		**769,791**	**789,022**	**477,368**	**231,100**	**80,554**

(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 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 2018, Mavi Turkey has trade receivables amounting to TRY 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 166,551. 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)*

As of 31 January 2018 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	6,327	1,095	--	2,188
2a. Monetary financial assets (including cash. banks)	56,148	8,177	5,374	80
2b. Non-monetary financial assets	--	--	--	--
3. Other	6,921	1,722	87	8
4. Current assets (1+2+3)	**69,396**	**10,994**	**5,461**	**2,276**
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)	**69,396**	**10,994**	**5,461**	**2,276**
10. Trade payables	78,646	20,692	78	75
11. Financial liabilities	31,600	3,127	4,114	517
12a. Monetary other liabilities	7,340	1,942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**117,586**	**25,761**	**4,192**	**592**
14. Trade payables	--	--	--	--
15. Financial liabilities	9,813	295	1,858	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**9,813**	**295**	**1,858**	**--**
18. Total liabilities (13+17)	**127,399**	**26,056**	**6,050**	**592**
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	**28,917**	**7,651**	--	--
19a. Hedged total asset	**28,917**	**7,651**	--	--
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	**(29,086)**	**(7,411)**	**(589)**	**1,684**
21. Position of net foreign currency monetary assets/liabilities (=1+2a+5+6a-10-11-12a-14-15-16a)	**(64,924)**	**(16,784)**	**(676)**	**1,676**

As at 31 January 2018, Mavi Turkey has trade receivables amounting to TRY 67,365 from consolidated subsidiaries which comprise; EUR 7,938 thousand, USD 415 thousand, CAD 214 thousand and RUB 419,981 thousand. Considering these receivables, the Group's net foreign currency assets position amounts to TL 38,279. 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, US Dollar and Rouble and Australia 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 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)*

Currency risk *(continued)*

Foreign Currency Sensitivity Analysis				
31 January 2018				
	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	(6,344)	6,344	(6,344)	6,344
2- Hedged portion of TL against USD risk(-)	1,173	(1,173)	2,893	(2,893)
3- Net effect of USD (1+2)	**(5,171)**	**5,171**	**(3,451)**	**3,451**
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(316)	316	(316)	316
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	**(316)**	**316**	**(316)**	**316**
10% change of other against TL				
7- Net other denominated asset/liability	168	(168)	168	(168)
8- Hedged portion of TL against other risk(-)	**--**	**--**	**--**	**--**
9- Net effect of other (7+8)	**168**	**(168)**	**168**	**(168)**
Total (3+6+9)	**(5,319)**	**5,319**	**(3,599)**	**3,599**

(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 2019	31 January 2018
Fixed interest rate items		
Financial assets	107,805	115,926
Financial liabilities	(376,044)	(377,835)

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 2019 and 2018, net debt / equity ratios are as follows:

	31 January 2019	31 January 2018
Loans and borrowings (Note 5)	376,044	377,835
Cash and cash equivalents (Note 4)	(266,571)	(266,280)
Net financial liabilities	**109,473**	**111,555**
Equity	337,168	247,181
Net financial liabilities / equities rate	**0.32**	**0.45**

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

35 Financial risk management

Fair values

	Carrying amount			Fair value			
31 January 2019	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
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							
Forward exchange contracts	(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.

(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 2018	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Forward exchange contracts	613	--	613	--	613	--	613
Financial assets not measured at fair value							
Trade receivables from third parties	112,996	--	112,996	--	--	--	--
Other receivables to third parties[1]	24,187	--	24,187	--	--	--	--
Cash and cash equivalents	266,280	--	266,280	--	--	--	--
Total	**404,076**	**--**	**404,076**	**--**	**613**	**--**	**613**

	Loans and receivables	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Other payables to related parties	--	(7,420)	(7,420)	--	--	--	--
Financial liabilities not measured at fair value							
Bank overdrafts	--	(3,806)	(3,806)	--	--	(3,806)	(3,806)
Bank loans	--	(374,029)	(374,029)	--	--	(379,689)	(379,689)
Trade payables to third parties	--	(243,783)	(243,783)	--	--	--	--
Other payables to third parties	--	(6,199)	(6,199)	--	--	--	--
Trade payables to related parties	--	(122,672)	(122,672)	--	--	--	--
Total		**(757,909)**	**(757,909)**	**--**	**--**	**(383,495)**	**(383,495)**

[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 2019	31 January 2018
Opening balance	**377,835**	**336,023**
Net cash flow used in financing activities	(9,647)	38,961
Effect of movements in exchange rates	1,050	2,682
Interest accrual	6,064	(413)
Effect of change in bank overdrafts	742	582
Closing balance	**376,044**	**377,835**

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 2019 and 2018 are as follows:

	Note	31 January 2019	31 January 2018
Profit		100,774	90,002
Income tax expense	*30*	31,579	22,239
Profit before tax		**132,353**	**112,241**
Adjustment for:			
-Net finance costs		164,760	80,151
Receivables and payables interest income (net)		(8,696)	(2,039)
Foreign exchange gain and loss (net)		8,990	(159)
-Depreciation and amortisation	*27*	69,723	61,893
EBITDA		**367,130**	**252,087**

38 Subsequent events

None.