

**Mavi Giyim Sanayi ve Ticaret
Anonim Őirketi and
Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
As At and For The Nine Months Period Ended
31 October 2018

29 November 2018

This report contains 42 pages of financial statement explanatory notes.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 31 October 2018

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

		Unaudited	Audited
	<i>Notes</i>	31 October 2018	31 January 2018
ASSETS			
Current assets			
Cash and cash equivalents	5	283,695	266,280
Trade receivables		225,090	112,996
- <i>Due from third parties</i>	8	225,090	112,996
Other receivables		14,668	24,187
- <i>Due from third parties</i>		14,668	24,187
Derivatives	22	350	848
Inventories		435,897	320,351
Prepayments		36,545	23,358
Current tax asset		306	183
Other current assets		25,455	13,176
Total current assets		1,022,006	761,379
Non-current assets			
Other receivables		2,274	2,981
- <i>Due from third parties</i>		2,274	2,981
Property and equipment		157,788	156,033
Intangible assets		200,003	147,599
- <i>Other intangible assets</i>		56,896	47,900
- <i>Goodwill</i>	10	143,107	99,699
Prepayments		23	106
Deferred tax assets		21,517	7,145
Total non-current assets		381,605	313,864
TOTAL ASSETS		1,403,611	1,075,243

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position(continued)
As at 31 October 2018

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

		Unaudited	Audited
	<i>Notes</i>	31 October 2018	31 January 2018
LIABILITIES			
Current liabilities			
Short term borrowings	6	89,653	180,306
Short portion of long term borrowings	6	194,423	128,793
Trade payables		517,449	366,455
- Due to related parties	7	106,469	122,672
- Due to third parties	8	410,980	243,783
Payables to employees		30,687	18,081
Other payables		18,008	13,619
- Due to related parties	7	10,800	7,420
- Due to third parties		7,208	6,199
Deferred revenue		16,577	14,566
Provisions		14,488	9,767
- Provisions for employee benefits	12	3,028	2,359
- Other provisions	12	11,460	7,408
Derivatives	22	51,325	235
Current tax liabilities		18,026	4,476
Other current liabilities		6,524	5,879
Total current liabilities		957,160	742,177
Non-current liabilities			
Loans and borrowings	6	92,929	68,736
Deferred revenue		487	641
Provisions		5,158	4,741
- Provisions for employee benefits	12	5,158	4,741
Deferred tax liabilities		12,000	11,767
Total non-current liabilities		110,574	85,885
TOTAL LIABILITIES		1,067,734	828,062

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position (continued)
As at 31 October 2018

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

		Unaudited	Audited
	<i>Notes</i>	31 October 2018	31 January 2018
EQUITY			
Equity attributable to owners of the Company			
Paid in share capital	<i>14</i>	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		(4,729)	(5,145)
<i>Remeasurement of defined benefit liability</i>		(4,729)	(5,145)
Other comprehensive income/expense to be reclassified to profit or loss		54,819	25,966
<i>Foreign currency translation reserve</i>		71,017	25,310
<i>Hedging reserve</i>		(16,198)	656
Legal reserves		19,771	17,427
Retained earnings		156,569	111,717
Net Income		93,991	85,871
Non-controlling interests		1,556	(2,555)
Total equity		335,877	247,181
TOTAL EQUITY AND LIABILITIES		1,403,611	1,075,243

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Profit or Loss
For the nine months period ended 31 October 2018

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

		Unaudited	Unaudited	Unaudited	Unaudited
		1 February –	1 August –	1 February –	1 August –
		31	31	31	31
	<i>Notes</i>	October	October	October	October
		2018	2018	2017	2017
Revenue		1,777,714	715,238	1,350,425	521,633
Cost of sales		(846,462)	(340,945)	(665,692)	(256,292)
Gross profit		931,252	374,293	684,733	265,341
Administrative expenses		(96,377)	(32,272)	(69,540)	(23,575)
Selling, marketing and distribution expenses	15	(564,285)	(205,750)	(435,700)	(155,787)
Research and development expenses		(19,306)	(5,827)	(16,768)	(5,543)
Other operating income	16	1,905	1,021	1,758	520
Other operating expenses	16	(381)	(97)	(518)	(161)
Operating profit		252,808	131,368	163,965	80,795
Gains from investment activities	17	--	--	17	17
Losses from investment activities	17	(559)	18	--	--
Operating profit before financial income		252,249	131,386	163,982	80,812
Finance income	18	11,479	6,682	1,158	(989)
Finance costs	19	(132,933)	(75,132)	(60,717)	(22,168)
Net finance costs		(121,454)	(68,450)	(59,559)	(23,157)
Profit before tax		130,795	62,936	104,423	57,655
Income tax expense		(29,548)	(14,471)	(20,296)	(9,228)
- Tax expense		(42,322)	(17,244)	(23,182)	(9,719)
- Deferred tax income		12,774	2,773	2,886	491
Profit		101,247	48,465	84,127	48,427
Non-controlling interests		7,256	5,632	5,493	3,889
Owners of the Company		93,991	42,833	78,634	44,538
Earnings per share					
Basic earnings per share (full TL)	21	1.8928	0.8626	1.5835	0.8969
Diluted earnings per share (full TL)	21	1.8928	0.8626	1.5835	0.8969
Earnings before interest, tax, depreciation and amortization (EBITDA)	26	304,340	148,573	207,809	96,026

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Other Comprehensive Income
For the nine months period ended 31 October 2018

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

	Unaudited	Unaudited	Unaudited	Unaudited
<i>Notes</i>	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	534	472	89	109
- Related tax	(118)	(104)	(18)	(22)
Items that are or may be reclassified to profit or loss				
Foreign operations - foreign currency translation differences	44,104	15,945	11,355	4,443
Cash flow hedging reserves	(21,608)	(21,217)	3,621	6,681
- Related tax	4,754	4,668	(724)	(1,336)
Other comprehensive income net of tax	27,666	(236)	14,323	9,875
Total comprehensive income attributable to:				
Non-controlling interests	5,653	4,718	6,946	3,667
Owners of the Company	123,260	43,511	91,504	54,635

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statement of Changes In Equity

As at and for the nine months period ended 31 October 2018

(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		Attributable to owners of the Company	Attributable to non-controlling interest	Total equity
	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			
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	--	--	--	71	--	9,902	2,897	--	78,634	91,504	6,946	98,450
Total balance as at 31 October 2017	49,657	17,427	(35,757)	(4,390)	--	20,024	2,897	111,717	78,634	240,209	(1,289)	238,920
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	--	--	--	--	--	--	--	(12,965)	--	(12,965)	(1,542)	(14,507)
Dividend payment	--	2,344	--	--	--	--	--	(28,269)	--	(25,925)	--	(25,925)
Amendments to IFRS 9	--	--	--	--	--	--	--	215	--	215	--	215
Total comprehensive income	--	--	--	416	--	45,707	(16,854)	--	93,991	123,260	5,653	128,913
Total balance as at 31 October 2018	49,657	19,771	(35,757)	(4,729)	--	71,017	(16,198)	156,569	93,991	334,321	1,556	335,877

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Condensed Consolidated Interim Statement of Cash Flows
As at and for the nine months period ended 31 October 2018
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Unaudited	Unaudited
		1 February – 31 October 2018	1 February – 31 October 2017
Cash flow from operating activities	<i>Notes</i>		
Net profit for the period		101,247	84,127
Depreciation and amortization expense	9	52,091	43,827
Finance income	18	(4,001)	(948)
Finance cost		78,954	50,946
Provision for unused vacation	12	1,194	1,012
Provision for employee severance indemnity		3,490	2,812
Fair value change of derivatives		32,421	4,625
Impairment loss on receivables		(554)	(514)
Expected credit losses corrections	16	(277)	--
Inventory obsolescence, reversals		2,177	(1,000)
Loss on disposal of property and equipment, net		559	134
Tax expense		29,548	20,296
Unrealized currency translation difference		(2,253)	6,852
		294,596	212,169
Changes in:			
Change in trade receivables		(107,607)	(81,211)
Change in inventory		(119,640)	(3,833)
Change in prepaid expenses		(13,102)	(7,237)
Change in receivables from related parties		--	4,059
Change in other receivables		10,238	(944)
Change in other current and non-current assets		(12,279)	167
Change in employee benefits liabilities		--	(440)
Change in trade payables		167,197	89,905
Change in payables to related parties		(16,203)	1,745
Change in deferred revenue		1,857	1,614
Change in payables to employees		12,605	4,140
Change in other payables		1,009	3,319
Change in short term and long term provisions		4,052	1,829
Change in other liabilities		644	(6,279)
Cash flows used in operating activities		223,367	219,003
Employee benefits paid		(3,542)	(2,313)
Income tax paid		(25,622)	(10,936)
Net cash from operating activities		194,203	205,754
Cash flows from investing activities			
Acquisition of tangible assets	9	(39,781)	(52,982)
Proceeds from sale of tangible assets		80	--
Acquisition of intangible assets	9	(3,221)	(2,470)
Acquisition of subsidiary, net of cash acquired		(14,507)	(43,278)
Interest received		3,988	948
Net cash flow used in investing activities		(53,441)	(97,782)
Proceeds from loans and borrowings		259,601	129,028
Repayment of loans and borrowings		(280,805)	(176,257)
Proceeds of settlement of derivatives		(2,442)	2,197
Other financial payments		(48,562)	(27,394)
Dividend paid		(25,925)	--
Interest paid		(26,389)	(23,552)
Net cash flow used in financing activities		(124,522)	(95,978)
Net increase in cash and cash equivalent		16,240	11,994
Cash and cash equivalents at the beginning of the year	5	262,474	154,832
Cash and cash equivalents at the end of the period	5	278,714	166,826

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

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the nine months period ended 31 October 2018
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

Notes to the condensed consolidated interim financial statements

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Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months period ended 31 October 2018

(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, Moscow, Almere, New York, New Jersey, Los Angeles, Atlanta, Dallas, Chicago, Vancouver, Toronto and Montreal.

With the appropriate permission from İstanbul Stock Exchange Market Presidency, shares equal to TL 27,311 representing 55% of nominal shares of the Company’s was offered to public on 15 June 2017. As a result of the offering, main shareholder from Company’s partnership structure Blue International Holding B.V.’s shares decreased to 45% from 100%. The primary shareholder of the Company as at 31 October 2018 is Blue International Holding B.V. (“Blue International”) with 27.41% ownership (31 January 2018: Blue International with 27.41% ownership).

The condensed consolidated interim financial statements as at 31 October 2018 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 periods ended 31 October 2018 and 31 January 2018 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding %	
			31 October 2018	31 January 2018
Mavi Europe	Germany	Wholesale and retail sales of apparel	100.00	100.00
Mavi Nederland	Netherlands	Wholesale sales of apparel	100.00	100.00
Mavi Russia	Russia	Wholesale and retail sales of apparel	100.00	100.00
Eflatun Giyim	Turkey	Holding company	51.00	51.00
Mavi USA	USA	Wholesale and retail sales of apparel	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 2.4)

⁽²⁾As of 31 October 2018, Mavi Kazakhstan does no longer proceed any operations.

As of 31 October 2018, the Group’s total number of employees is 4,016 (31 January 2018: 3,605).

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries
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(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

2 Basis of presentation of financial statements

2.1 Basis of accounting

(a) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 29 November 2018. General Assembly has the authority to modify the condensed consolidated interim 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 condensed consolidated interim 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 2.1 (e).

(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 condensed consolidated interim financial statements are presented in thousands of TL which is the Company’s functional currency except when the otherwise indicated. All other currencies are indicated in full unless otherwise indicated.

The table below summarizes functional currencies of the Group entities.

Company	Functional currency
Mavi Giyim	TL
Mavi Europe	Euro (“EUR”)
Mavi Nederland	Euro (“EUR”)
Mavi Russia	Rouble (“RBL”)
Mavi Kazakhstan	Kazakhstan Tenge (“KZT”)
Mavi USA	US Dollars (“USD”)
Mavi Canada	Canada Dollars (“CAD”)
Eflatun Giyim	TL

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(d) Use of judgements and estimates

In preparing these condensed consolidated interim 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.

The significant judgements made by the management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 January 2018.

(e) Measurement of fair values

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.

(i) Trade and other receivables

Short term trade and other receivables are measured at the original invoice amount since the promised amount of consideration for the effects of a significant financing component is not material and the period between the entity transfers a promised good or service to a customer and the customer pays for that good or service is less than one year. This fair value is determined at the initial recognition and the end of each reporting period for disclosure purposes.

(ii) 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) Other non-derivative financial liabilities

Fair value of other non-derivative financial liabilities are determined during the initial recognition and for disclosure purposes at the end of each period. Fair values are calculated as reduction of present values of prospective principal and interest cash flows with market interest rate at the measurement date. Fair values of current non-derivative financial liabilities are accepted same as their carrying values.

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2 Basis of presentation of financial statements (continued)

2.1 Basis of accounting (continued)

(e) 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.

(v) Property, plant and equipment

The fair value of property and equipment recognized 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.

2.2 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted as of 31 October 2018

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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.

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2 Basis of presentation of financial statements (continued)

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

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 is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

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 does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

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

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.

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2 Basis of presentation of financial statements (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle
Improvements to IFRSs

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 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.

2.3 Significant accounting policies

Except as described below (IFRS 9 and IFRS 15), the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 January 2018.

The financial statements in the condensed consolidated financial statements for the nine-months period ended on 31 October 2018 must be evaluated together with the financial statements in the consolidated financial statements for the year ended 31 January 2018.

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
Related tax effect	(60)
IFRS 9 : Effect of expected credit loss	(729)
Opening balance due to IFRS 9 (1 February 2018)	215

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

2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies (continued)

IFRS 9 Financial Instruments

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.

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.

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2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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.

	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.

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

2.3 Significant accounting policies *(continued)*

IFRS 9 Financial Instruments *(continued)*

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.

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.

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2 Basis of presentation of financial statements (continued)

2.3 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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 2017 is prepared in accordance with IAS 39, not IFRS 9.

2.4 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

3 Seasonality of operations

The condensed consolidated interim financial statements of the Group also comprises the effects of seasonality. Therefore, the nine months operating results for the period ended 31 October 2018 are not indicative of the results for the financial year.

Mavi Giyim Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Condensed Consolidated Interim Statement of Cash Flows

As at and for the nine months period ended 31 October 2018

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4 Operating segments

	1 February- 31 October 2018			1 August - 31 October 2018			1 February- 31 October 2017			1 August - 31 October 2017		
	Reportable segment			Reportable segment			Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total	Turkey	International	Total
Segment revenue ⁽¹⁾	1,447,653	330,061	1,777,714	572,326	142,912	715,238	1,107,768	242,657	1,350,425	430,476	91,157	521,633
-Retail	1,094,107	47,873	1,141,980	415,536	18,177	433,713	831,120	36,798	867,918	306,508	13,041	319,549
-Wholesale	328,982	261,305	590,287	147,258	114,610	261,868	261,753	195,929	457,682	118,729	74,179	192,908
-E-commerce	24,564	20,883	45,447	9,532	10,125	19,657	14,895	9,930	24,825	5,239	3,937	9,176
Segment profit before tax	110,264	20,531	130,795	40,489	22,447	62,936	88,040	16,383	104,423	48,845	8,810	57,655

	31 October 2018			31 January 2018		
	Reportable segment			Reportable segment		
	Turkey	International	Total	Turkey	International	Total
Total segment assets	1,162,494	241,117	1,403,611	969,900	105,343	1,075,243
Total segment liabilities	887,659	180,075	1,067,734	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.

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5 Cash and cash equivalents

As at 31 October 2018 and 31 January 2018, cash and cash equivalents comprises the following:

	31 October 2018	31 January 2018
Cash on hand	1,740	1,243
Cash at banks	130,810	153,898
<i>Demand deposits</i>	49,399	37,972
<i>Time deposits</i>	81,411	115,926
Other cash and cash equivalents	151,145	111,139
Cash and cash equivalents in the statement of consolidated financial statement	283,695	266,280
Bank overdrafts	(4,981)	(3,806)
Cash and cash equivalents in the statement of consolidated cash flows	278,714	262,474

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

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

	Maturity	Interest rate	31 October 2018
TL	1 November 2018	25,00%	46,615
USD	1 November 2018	4,85%	11,884
EUR	1 November 2018	2,30%	22,912
			81,411

	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 October 2018 and 31 January 2018, there is no restriction or blockage on cash and cash equivalents. The Group’s exposure to foreign currency risk and sensitivity analyses are disclosed in Note 23.

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6 Loans and borrowings

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

	31 October 2018	31 January 2018
<u>Current liabilities</u>		
Unsecured bank loans	84,638	176,465
Secured bank loans	34	35
Current portion of unsecured bank loans	194,423	128,793
Bank overdraft (Note 5)	4,981	3,806
	284,076	309,099
<u>Non-current liabilities</u>		
Unsecured bank loans	92,929	68,736
	92,929	68,736

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

	31 October 2018	31 January 2018
Bank loans	377,005	377,835
	377,005	377,835

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

	31 October 2018	31 January 2018
Less than one year	284,076	309,099
One to two years	81,952	61,396
Two to three years	10,478	7,000
Three to four years	499	340
	377,005	377,835

As at 31 October 2018 and 31 January 2018, maturities and conditions of outstanding loans comprised the following:

31 October 2018					
	Currency	Nominal interest rate	Maturity	Face value	Carrying amount
Unsecured bank loans	EUR	0.00%-2.99%	2018-2019	75,835	76,068
Unsecured bank loans	TRY	0.00%-37.75%	2018-2021	205,435	209,462
Unsecured bank loans	USD	4.05%-5.35%	2018-2022	55,786	56,927
Unsecured bank loans	RUB	13.00%	2020	30,899	31,278
Unsecured bank loans	CAD	3.70%	2018	3,236	3,236
Secured bank loans	CAD	0.00%	2020	34	34
				371,225	377,005
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	TRY	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

The Group's exposure to foreign currency and sensitivity analyses for financial liabilities are disclosed in Note 23.

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7 Related party

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

Ultimate controlling party of the Group is Akarlılar Family and indirectly holds 27.41% as at 31 October 2018 (31 January 2018: Akarlılar Family 27.41%).

(a) Related party balances

As at 31 October 2018 and 31 January 2018, short term prepayments give to related parties comprised the following:

Prepayments given to related parties	31 October 2018	31 January 2018
Erak Giyim Sanayi Tic. A.Ş. (“Erak”) ⁽¹⁾	19,417	14,908
	19,417	14,908

(1) Advances given to Erak is related to fabric purchases and are tracked in prepayments.

Due to related parties	31 October 2018	31 January 2018
Erak ⁽¹⁾	91,156	111,841
Akay Lelmalabis Elgazhizah LLC (“Akay”) ⁽²⁾	15,313	10,579
Kitsch Apparel Inc. (“Kitsch Apparel”)	--	252
	106,469	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.

Other payables to related parties	31 October 2018	31 January 2018
Eflatun Giyim shareholders ⁽¹⁾	10,800	7,420
Short term other payables to related parties	10,800	7,420

(1) Payables to Eflatun Giyim shareholders mainly comprised of USD 1,942 thousand payables due to the acquisition of Eflatun Giyim.

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7 Related party (continued)

(b) Related party transactions

For the nine months period ended 31 October 2018 and 2017, purchases from related parties of the Group comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Purchase from related parties				
Erak	275,654	85,600	223,733	75,360
Akay	74,255	35,941	36,999	13,038
	349,909	121,541	260,732	88,398

For the nine months period ended 31 October 2018 and 2017, the services given to related parties of the Group comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Services given to related parties				
Mavi LLC	--	--	34	--
	--	--	34	--

For the nine months period ended 31 October 2018 and 2017, the services from related parties of the Group comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Services from related parties				
Erak ⁽¹⁾	1,017	249	805	118
CM Objekt Heusenstamm GBR ⁽²⁾	722	307	492	177
Mavi Jeans Holding Inc. ⁽⁴⁾	547	251	403	138
Sylvia House Inc. ⁽³⁾	500	177	387	134
Erma	--	--	3	--
	2,786	984	2,090	567

(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 Yeltown, 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 nine month period ended 31 October 2018, short term benefits provided to senior management and board of directors amount to TL 33,003 (31 October 2017: TL 21,615).

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8 Trade receivables and payables

Short term trade receivables

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

	31 October 2018	31 January 2018
Trade receivables from third parties	225,090	112,996
	225,090	112,996

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

	31 October 2018	31 January 2018
Trade receivables	184,610	102,414
Post-dated cheques	6,671	7,319
Endorsed cheques	2,046	3,263
Notes receivables	31,882	--
Doubtful receivables	16,732	12,762
Allowance for doubtful receivables (-)	(16,732)	(12,762)
Expected credit losses	(119)	--
	225,090	112,996

Details related to Group’s exposure to foreign currency risk for short term trade receivables is disclosed in Note 23.

Short term trade payables

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

	31 October 2018	31 January 2018
Trade payables to third parties	410,980	243,783
Trade payables to related parties	106,469	122,672
	517,449	366,455

Trade payables mainly consist of unpaid amounts of trade purchases and ongoing expenditures.

Details related to Group’s exposure to foreign currency risk for short term trade payables is disclosed in Note 23.

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8 Trade receivables and payables (continued)

Short term trade payables (continued)

As at 31 October 2018 and 31 January 2018, short term trade payables due to others are as follows:

	<u>31 October 2018</u>	<u>31 January 2018</u>
Trade payables to third parties ⁽¹⁾	401,408	235,394
Expense accruals	9,572	8,389
	<u>410,980</u>	<u>243,783</u>

(1) Trade payables to third parties comprise factoring payables amounting TL 71,727 (31 January 2018: TL 77,708).

9 Property and equipment and intangible assets

The amount of tangible and intangible assets purchased during the nine months period ended 31 October 2018 is TL 43,002 (31 October 2017: TL 55,452).

Net book value of tangible and intangible assets sold during the nine months period ended 31 October 2018 amounted to TL 639 (31 October 2017: TL 134).

The depreciation charge for the nine months period ended 31 October 2018 is TL 52,091 (31 October 2017: TL 43,827)

10 Goodwill

As at 31 October 2018, and 31 January 2018, the carrying amount of goodwill allocated to each cash generating unit is as follows;

	<u>31 October 2018</u>	<u>31 January 2018</u>
Mavi America	126,723	86,762
Mavi Canada	12,651	9,204
Other	3,733	3,733
	<u>143,107</u>	<u>99,699</u>

As of 31 October 2018, the increase in goodwill is related to foreign currency translation differences on goodwill recognized at foreign subsidiaries.

11 Operating leases

Leases as lessee

As at 31 October 2018 and 31 January 2018, total minimum lease payments pursuant to leases are as follows:

	<u>31 October 2018</u>	<u>31 January 2018</u>
Less than one year	235,329	215,964
1-5 year	889,143	516,049
More than 5 years	133,273	70,285
	<u>1,257,745</u>	<u>802,298</u>

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

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12 Provisions, contingent assets and liabilities

Short term provisions

As at 31 October 2018 and 31 January 2018, short term provisions are as follows:

	31 October 2018	31 January 2018
Provision for employee benefits	3,028	2,359
Other short term provisions	11,460	7,408
	14,488	9,767

Short term provision for employee benefits consists of provision for vacation pay liability. For the periods ended 31 October, the movement of provision for vacation liability is as follows:

	2018	2017
1 February balance	2,359	2,159
Effect of movements in exchange rates	312	18
Payments	(837)	(421)
Current period provision	1,194	1,012
31 October balance	3,028	2,768

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

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 recognized 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 Turkey, 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 period ended 31 October 2018 and 31 January 2018, details of other short term provisions are as follows:

	31 October 2018	31 January 2018
Return provision	6,060	4,728
Legal provision ⁽¹⁾	1,714	1,585
Other provisions	3,686	1,095
	11,460	7,408

⁽¹⁾ Legal provision mainly comprised of labour lawsuits.

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12 Provisions, contingent assets and liabilities (continued)

Short term provisions (continued)

For the periods ended 31 October 2018 and 2017, the movement of short term provision is as follows:

	Legal provision	Return provisions	Other provisions	Total
1 February 2018 balance	1,585	4,728	1,095	7,408
Current year provision	129	1,165	3,682	4,976
Effect of movements in exchange rates	--	932	271	1,203
Provisions used during year	--	(322)	(403)	(725)
Provisions cancelled during year	--	(443)	(959)	(1,402)
31 October 2018 balance	1,714	6,060	3,686	11,460

	Legal Provision	Return Provisions	Other provisions	Total
February 2017 balance	1,892	4,817	1,762	8,471
Current year provision	258	4,155	15	4,428
Effect of movements in exchange rates	--	184	6	190
Provisions used during year	--	(1,109)	(1,066)	(2,175)
Provisions cancelled during year	(119)	--	(495)	(614)
31 October 2017 balance	2,031	8,047	222	10,300

Long term provisions

For the nine months period ended 31 October 2018 long term provisions consist of severance pay liabilities in amount of TL 5,158 (31 January 2018: TL 4,741).

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13 Commitments

(a) Warranties, pledges and mortgages

As of 31 October 2018 and 31 January 2018, the Group's guarantee / pledge / mortgage ("GPM") position statement is as follows:

	31 October 2018					
	TL Equivalent	TL	EUR	RUB	USD	CAD
A. On behalf of its own legal personality of the total amount of GPMs	127,258	10,107	15,531	--	3,572	--
Guarantee	127,258	10,107	15,531	--	3,572	--
Pledge	--	--	--	--	--	--
Mortgage	--	--	--	--	--	--
B. Total amount of GPM included in the scope of consolidation given on behalf of subsidiaries	3,141	--	261	17,578	--	8
Guarantee	3,107	--	261	17,578	--	--
Pledge	--	--	--	--	--	--
Mortgage	34	--	--	--	--	8
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	130,399	10,107	15,792	17,578	3,572	8

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13

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 debts,	--	--	--	--	--	--
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

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13 Commitments (continued)

(a) Warranties, pledges and mortgages (continued)

As of 31 October 2018, ratio of other GPM given by the Group to equity was 0% (31 January 2018: 0%).

As of 31 October 2018, letter of guarantees given to third parties for the amount of TL 64,244 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 518,713 as of 31 October 2018 (31 January 2018: TL 313,697).

(b) Guarantees received

As of 31 October 2018, Group has received letter of guarantees for the amount of TL 8,858 as in the form of security (31 January 2018: TL 7,588).

14 Capital, reserves and other capital reserves

Paid-in capital

As at 31 October 2018 and 31 January 2018, paid capital is as follows:

	%	31 October 2018	%	31 January 2018
Blue International	27.41	13,608	27.41	13,608
Publicly held	72.59	36,049	72.59	36,049
	100.00	49,657	100.00	49,657

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

Other reserves

The difference between exercise price of put option and the carrying amount of the non-controlling interests that are derecognized under other reserves by the Group. Subsequent changes to fair value of put option obligations are also recognized in profit or loss. On 29 March 2017, the non-controlling interest owners in Mavi Germany decided to exercise their put option rights. As a result of this transaction other reserves in amount of 4,080 TL has been reclassified to retained earnings. Put option liability is paid in total and the non-controlling interests are taken over by the group at 29 September 2017. As of 31 October 2018, there is no other reserve recognized under equity (31 January 2018: None).

Hedging reserve

The hedging reserve consists of the effective portion of the cumulative net change in fair value of the hedged item until the hedging instrument is subsequently accounted for.

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15 Selling, marketing and distribution expenses

For the nine months periods ended 31 October 2018 and 2017, selling, marketing and distribution expenses comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Rent expenses	(215,435)	(79,812)	(162,116)	(57,700)
Personnel expenses	(187,032)	(67,824)	(147,878)	(52,683)
Depreciation and amortization expenses	(40,213)	(12,775)	(34,108)	(11,917)
Other	(121,605)	(45,339)	(91,598)	(33,487)
	(564,285)	(205,750)	(435,700)	(155,787)

16 Other operating income and expense

For the nine months periods ended 31 October 2018 and 2017, other operating income comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Income from expired gift cards	667	667	--	--
Salary protocol income	400	133	356	133
Effects of amendments to IFRS 9	277	57	--	--
Damage compensation income ⁽¹⁾	160	35	311	28
Decoration income ⁽²⁾	--	--	1,025	339
Other	401	129	66	20
	1,905	1,021	1,758	520

⁽¹⁾ Income from insurance claims.

⁽²⁾ Income from decoration incentives within the scope of Turquality.

For the nine months periods ended 31 October 2018 and 2017, other expenses comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Store closing expense	(107)	--	--	--
Other	(274)	(97)	(518)	(161)
	(381)	(97)	(518)	(161)

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17 Gains and losses from investment activities

For the nine months periods ended 31 October 2018 and 2017, gains from investment activities comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February- 31 October 2017	1 August – 31 October 2017
Gain on sale of fixed assets	--	--	17	17
	--	--	17	17

For the nine months periods ended 31 October 2018 and 2017, losses from investment activities comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February- 31 October 2017	1 August – 31 October 2017
Losses on sale of fixed assets	(559)	18	--	--
	(559)	18	--	--

18 Finance income

For the nine months periods ended 31 October 2018 and 2017, finance income comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Interest income on:				
Interest income on time deposits	4,001	3,613	948	592
Trade receivable and payable, net	7,192	3,173	--	(1,154)
	11,193	6,786	948	(562)
Change in fair value of forward contracts	286	(104)	--	--
Foreign exchange gain and loss, net	--	--	210	(427)
	11,479	6,682	1,158	(989)

19 Finance costs

For the nine months periods ended 31 October 2018 and 2017, finance costs comprised the following:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February – 31 October 2017	1 August – 31 October 2017
Interest expenses on:				
Interest expenses on purchases	(36,742)	(15,850)	(18,517)	(7,052)
Receivable and payable, net	--	--	(494)	(494)
Financial liabilities measured at amortized cost	(30,392)	(14,064)	(23,552)	(7,466)
	(67,134)	(29,914)	(42,563)	(15,012)
Change in fair value of forward contracts	(32,707)	(32,655)	(4,625)	(170)
Foreign exchange loss, net	(21,272)	(7,394)	(4,653)	(4,178)
Credit card commission expenses	(5,899)	(2,923)	(3,183)	(1,184)
Import financing expenses	(4,732)	(1,732)	(4,908)	(1,347)
Other	(1,189)	(514)	(785)	(277)
	(132,933)	(75,132)	(60,717)	(22,168)

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20 Income taxes

Corporate tax rate of Turkey is 22%(31 October 2017 :19%). For the nine month period ended 31 October 2018, Group’s effective tax rate is 23% (31 October 2017: 19%).

21 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 periods ended 31 October 2018 and 2017 is as follows:

	1 February – 31 October 2018	1 August – 31 October 2018	1 February- 31 October 2017	1 August – 31 October 2017
Net profit for the year attributable to owners of the Company	93,991	42,833	78,634	44,538
Weighted average number of ordinary shares (basic)	49,657,000	49,657,000	49,657,000	49,657,000
Earnings per ordinary share (full TL)	1.8928	0.8626	1.5835	0.8969

22 Derivatives

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

	31 October 2018	31 January 2018
Forward exchange contracts subject to hedge accounting	--	848
Assets from the forward exchange contracts	350	--
Liabilities from the forward exchange contracts	(51,325)	(235)
	(50,975)	613

As of 31 October 2018, the Group has open forward exchange contracts to hedge the foreign currency risk on inventory purchases in amount of USD 21,092 thousand in equivalent of TL 116,436 and EUR 6,091 thousand in equivalent of TL 38,213. By applying hedge accounting, the fair value difference of TL 20,767, resulting from such forward transactions, is recognized in other comprehensive income.

The Group has other open forward exchange contracts to hedge the foreign currency risk on import factoring and financial liabilities in amount of USD 14,862 thousand in equivalent of TL 82,045 and EUR 12,163 thousand in equivalent of TL 76,301.

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23 Nature and level of risks related to financial instruments

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 rates of the loans are determined on the currency of the loan. Currency of loans, are mainly used in TL, match the cash flow generated from operations of the Group. In such way, Group protects itself from financial risks without using derivative instruments.

Interest rate risk

Group is not exposed to risk of interest rate fluctuations since the total amount of floating interest rate loans and borrowings are insignificant.

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.

Currency Risk

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

	<u>31 October</u> <u>2018</u>	<u>31 January</u> <u>2018</u>
EUR / TL	6.2734	4.6824
USD / TL	5.5203	3.7795
RUB / TL	0.0835	0.0667
CAD / TL	4.2027	3.0578

The foreign currency average exchange rates for the nine month period ended 31 October 2018 and 2017 are as follows:

	<u>1 February –</u> <u>31 October</u> <u>2018</u>	<u>1 February –</u> <u>31 October</u> <u>2018</u>
EUR / TL	5.7477	4.0352
USD / TL	4.8704	3.5869
RUB / TL	0.0768	0.0614
CAD / TL	3.7510	2.7567

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

Market risk

Currency risk

As of 31 October 2018, the Group's foreign currency position specified in the following table arises from foreign currency denominated assets and liabilities.

	TL Equivalent	USD	Euro	Other (TL Equivalent)
1. Trade receivables	6,583	1,088	--	577
2a. Monetary financial assets (including cash, banks)	38,908	2,366	3,833	1,800
2b. Non-monetary financial assets	--	--	--	--
3. Other	3,609	630	21	--
4. Current assets (1+2+3)	49,100	4,084	3,854	2,377
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)	49,100	4,084	3,854	2,377
10. Trade payables	75,203	13,468	119	111
11. Financial liabilities	88,485	1,657	12,126	3,270
12a. Monetary other liabilities	10,720	1,942	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	174,408	17,067	12,245	3,381
14. Trade payables	--	--	--	--
15. Financial liabilities	2,742	497	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	2,742	497	--	--
18. Total liabilities (13+17)	177,150	17,564	12,245	3,381
19. Net Asset/(Liability) Position of derivative instruments (19a-19b)	312,994	35,955	18,254	--
19a. Hedged total asset	312,994	35,955	18,254	--
19b. Hedged total liabilities	--	--	--	--
20. Position of net foreign currency assets/liabilities (9-18+19)	184,944	22,475	9,863	(1,004)
21. Position of net foreign currency monetary assets/liabilities(IAS 7,B23)(1+2a+5+6a-10-11-12a-14-15-16a)	(131,659)	(14,110)	(8,412)	(1,004)

As at 31 October 2018, Mavi Turkey has trade receivables amounting to TRY 57,397 from consolidated subsidiaries which comprise; EUR 7,624 thousand, USD 110 thousand, CAD 91 thousand and RUB 102,722 thousand. Considering these receivables, the Group's net foreign currency liabilities position amounts to TL 57,502. The amounts have been eliminated in consolidation .

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23 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 denominated assets and liabilities.

	TL Equivalent	USD	Euro	Other (TL Equivalent)
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(IAS 7,B23)(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.

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23 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 October 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	(7,441)	7,441	(7,441)	7,441
2- Hedged portion of TL against USD risk(-)	8,204	(8,204)	11,644	(11,644)
3- Net effect of USD (1+2)	763	(763)	4,203	(4,203)
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(5,264)	5,264	(5,264)	5,264
5- Hedged portion of TL against EURO risk(-)	7,630	(7,630)	3,821	(3,821)
6- Net effect of EURO (4+5)	2,366	(2,366)	(1,443)	1,443
10% change of other against TL				
7- Net other denominated asset/liability	(100)	100	(100)	100
8- Hedged portion of TL against other risk(-)	--	--	--	--
9- Net effect of other (7+8)	(100)	100	(100)	100
Total (3+6+9)	3,029	(3,029)	2,660	(2,660)

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23 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	(5,693)	5,693	(5,693)	5,693
2- Hedged portion of TL against USD risk(-)	1,173	(1,173)	2,893	(2,893)
3- Net effect of USD (1+2)	(4,520)	4,520	(2,800)	2,800
10% change of the EURO against TL				
4- Net EURO denominated asset/liability	(276)	276	(276)	276
5- Hedged portion of TL against EURO risk(-)	--	--	--	--
6- Net effect of EURO (4+5)	(276)	276	(276)	276
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)	(4,628)	4,628	(2,908)	2,908

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24 Financial risk management

Fair values

The table below presents fair values and carrying amounts of financial assets and liabilities along with their amounts measured at fair value. If the carrying amount is an approximate assumption of the fair value, the table below does not include the fair value information of assets and liabilities not measured at fair value.

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 October 2018							
Financial assets measured at fair value							
Derivatives	350	--	350	--	350	--	350
Financial assets not measured at fair value							
Trade receivables from third parties	225,090	--	225,090	--	--	--	--
Other receivables from third parties ⁽¹⁾	14,668	--	14,668	--	--	--	--
Cash and cash equivalents	283,695	--	283,695	--	--	--	--
Total	523,803	--	523,803	--	350	--	350

	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Derivatives	--	(51,325)	(51,325)	--	(51,325)	--	(51,325)
Financial liabilities not measured at fair value							
Bank overdrafts	--	(4,981)	(4,981)	--	--	(4,981)	(4,981)
Bank loans	--	(372,024)	(372,024)	--	--	(372,024)	(372,024)
Trade payables to third parties	--	(410,980)	(410,980)	--	--	--	--
Other payables to third parties	--	(7,208)	(7,208)	--	--	--	--
Trade payables to related parties	--	(106,469)	(106,469)	--	--	--	--
Other payables to related parties	--	(10,800)	(10,800)	--	--	--	--
Total		(963,787)	(963,787)	--	(51,325)	(377,005)	(428,330)

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

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24 Financial risk management (continued)

Fair values (continued)

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 January 2018							
Financial assets measured at fair value							
Derivative financial instruments	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	--	--	--	--
Receivables from related parties	--	--	--	--	--	--	--
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							
Bank overdrafts	--	(3,806)	(3,806)	--	--	(3,806)	(3,806)
Bank loans	--	(374,029)	(374,029)	--	--	(374,029)	(374,029)
Trade payables to third parties	--	(243,783)	(243,783)	--	--	--	--
Other payables to related parties	--	(7,420)	(7,420)	--	--	--	--
Other payables to third parties	--	(6,199)	(6,199)	--	--	--	--
Trade payables to related parties	--	(122,672)	(122,672)	--	--	--	--
Total	--	(757,909)	(757,909)	--	--	(377,835)	(377,835)

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

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24 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 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.

As the financial assets and liabilities have short term in nature, the carrying amounts approximate their fair values.

25 Subsequent events

The 27.40% indirect shareholding of Hayriye Fethiye Akarlılar, Fatma Elif Akarlılar and Seyhan Akarlılar in Mavi Giyim Sanayi ve Ticaret A.S. has been, without any change in their total shareholding percentage, transformed into 27.19% direct shareholding and 0.21% indirect shareholding through Blue International Holding B.V.

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26 Ebitda reconciliation

EBITDA is not a defined performance measure in IFRS. EBITDA reconciliation for the nine month period ended 31 October 2018 and 2017 are as follows:

	1 February	1 August	1 February	1 August
	31	31	31	31
	October	October	October	October
:	Note	2018	2018	2017
Profit		101,247	48,465	84,127
Income tax expense		29,548	14,471	20,296
Profit before tax		130,795	62,936	104,423
Adjustment for:				
-Net finance costs		121,454	68,450	59,559
-Depreciation and amortization	9	52,091	17,187	43,827
EBITDA		304,340	148,573	207,809