

**Smart  
Shoppers'  
Store**

**BİM**  
BİRLEŞİK MAĞAZALAR A.Ş.



**ANNUAL REPORT 2006**



► **CONTENTS**

- 1 BİM in Brief
- 2 Basic Indicators
- 3 BİM Service Philosophy
- 3 BİM History
- 4 Message from the CEO
- 7 About BİM
- 13 2006 in Review
- 15 Corporate Governance Principles Compliance Report
- 23 Independent Audit Report and Financial Statements

# SMART BUSINESS MODEL, RAPID GROWTH...

## THROUGHOUT THE COUNTRY

**14** REGIONS

**1,454** STORES IN\*

\*As of December 31, 2006.

Launched in 1995 with 21 stores, BİM is the first market chain to introduce the “hard discount” model to Turkey. The only example of its kind in the country, BİM provides basic consumer goods at high quality standards and at the lowest possible prices.

During the past eleven years, an effective cost control policy and an experienced management team has helped BİM become one of Turkey's leading retailers.

With 1,454 stores in 14 regions across Turkey, BİM has the most extensive store network in the industry. It is committed to building solid business relationships with suppliers while providing customer satisfaction, service excellence and a corporate culture that is embraced by all employees. All of this is clear evidence that BİM will continue its profitability and success into the future.

## NET INCOME UP

**137.7%**

YEAR-ON-YEAR IN 2006

## FINANCIAL INDICATORS (YTL millions)




	2004	2005	2006	Change (%) -2005/2006
Net Sales	1,456	1,691	2,222	31.4
Total Sales of Private-Label Products	635	769	992	29.0
Net Income	25.3	30.2	71.8	137.7
Net Income Margin (%)	1.7	1.8	3.2	
EBIT	21.4	47.1	78.2	66.0
EBIT Margin (%)	1.5	2.8	3.5	
EBITDA	45.4	72.1	104.9	45.5
EBITDA Margin (%)	3.1	4.3	4.7	
Total Assets	264.2	327.1	475.1	45.2

## OPERATIONAL INDICATORS

	2004	2005	2006	Change (%) 2005/2006
Number of Stores*	1,075	1,194	1,454	21.8
Average Number of Employees	5,762	6,667	7,903	18.5

\*As of the last day of the respective year.

### TOTAL ASSETS (YTL millions)

2006	 475.1
2005	 327.1
2004	 264.2

## BiM'S TOTAL ASSETS INCREASED

# 45.2%

## YEAR ON YEAR IN 2006

## BİM SERVICE PHILOSOPHY

**BİM** believes that serving the interests of its customers is more important than high, short-term profit.

**BİM** provides high-quality goods at the best possible prices.

**BİM** has a no-questions-asked return policy.

**BİM** provides special high quality products for its customers.

**BİM** customers pay for the product itself, not the packaging or the brand.

**BİM** displays goods in their original cartons as a way of cutting unnecessary store costs.

**BİM** rents stores at optimum rates in locations best suited to their customers.

**BİM** avoids excessive advertising costs so they are not passed on to the customers.

**BİM** stores are decorated in a very basic interior design.

**BİM** stores employ the minimum number of personnel required for uninterrupted service.

## BİM HISTORY

**1995** BİM is founded and opens 21 stores later the same year.

**1996** 50th store is opened.

**1997** BİM first private-label product, Dost milk, is offered to customers. 100th store is opened.

**1999** The Operations Committee is formed. It is second only to the Board of Directors within the organization.

Spot products go on BİM store shelves for the first time.

Merrill Lynch Global Emerging Markets, Partnership LP and BankAmerica

International Investment Company acquired a stake in BİM.

**2000** BİM opens its 500th store.

**2001** Despite the economic crisis, BİM opens 87 new stores.

Aldi's former General Manager Jos Simons is appointed as Chief Operating Officer (COO).

**2002** Credit cards are accepted at BİM stores.

**2003** Net sales exceed YTL 1 billion.

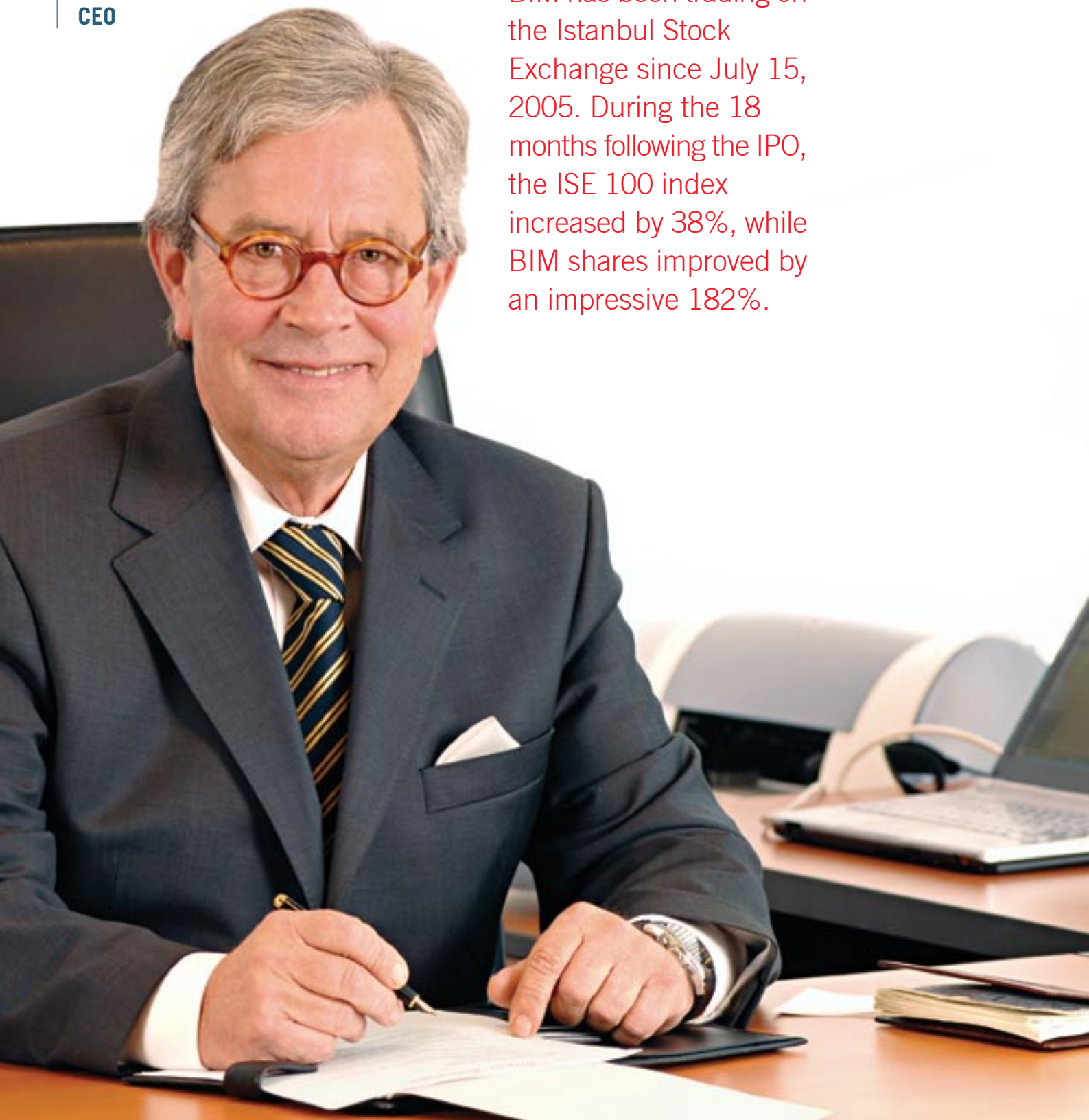
**2004** 1,000<sup>th</sup> store is opened.

**2005** BİM offers 44.12% of its shares to the public.

**2006** With 31.4% revenue growth, BİM increases the number of its stores to 1,454.

## MESSAGE FROM THE CEO

Jos Simons  
CEO



BİM has been trading on the Istanbul Stock Exchange since July 15, 2005. During the 18 months following the IPO, the ISE 100 index increased by 38%, while BİM shares improved by an impressive 182%.

Dear Shareholders,

We have recently celebrated the 11th anniversary of our establishment and the first anniversary of our IPO. Owing to our successful business model, we have continued to grow in 2006. In July 2005, we offered 44.12% of our shares to the public, an attractive opportunity for national and international investors. During 2006, the value of our shares increased by 124% and our activities continued to attract positive public attention with the opening of 260 new stores across the country.

### FOOD RETAILER SECTOR IN TURKEY

Groceries and district bazaars constitute the largest part of the food retailer sector in Turkey at present, an indication that the organized retail sector has a high growth potential.

BİM has earned a significant share of the total food market with an increase in sales of 31.4% during 2006. Today, according to ISE figures for the organized food retail sector in Turkey, BİM ranks first in the number of stores and the second in terms of sales.

### WHAT IS THE MAIN DRIVE BEHIND BİM'S SUCCESS?

BİM has become one of the most important brands in the food retail sector with a steadily increasing market share. The business model that we have adopted is a unique example of the hard-discount retail concept in Turkey and is the keystone of our success in the sector.

This model is based on a limited number of high quality articles at the lowest possible prices plus very efficient organization. The keywords are decentralization, daily low cost operations and highly satisfied customers. Our goal is to reinvest all the savings we generate to lower prices.

### SIMPLE CONCEPT, COMPETITIVE POWER

At all BİM stores, a limited number of products are sold. Approximately 600 high quality items are offered to our customers. Our company is the major buyer for each of these items in Turkey; therefore, we have a very large competitive advantage in the purchasing process. As a natural result of this process, BİM is able to offer its products to customers at the lowest possible prices.

### TRUST BASED RELATIONS WITH SUPPLIERS

We believe that strong relationships based on trust with the suppliers are very important for building sound business dealings. We will continue to maintain good relationships with our suppliers since we consider them our business partners. We cooperate with them in order to introduce new private label products.

## REGIONAL ORGANIZATION AND OUR SELLING POWER

Regional general managers with their own teams direct BİM's regional organizations. Every district has its own warehouse since decentralization constitutes the backbone of our organization.

With the opening of the Şanlıurfa district in 2006, we are currently operating in 14 regions around the country. These centers are located in Samandıra (Istanbul), Esenyurt (Istanbul), Bayrampaşa (Istanbul), Ankara, Izmir, Bursa, Antalya, Adana, Trakya, Sakarya, Samsun, Trabzon, Konya and Şanlıurfa. Three new regions, Kayseri, Gebze and Aydın, will be opened in 2007. At the same time, our Trakya region will be relocated from a leased warehouse to one BİM has purchased, which is currently being built nearby.

An efficient logistic and information network has been established between regions and stores. One of the most important elements responsible for the company's success is the extraordinary coordination within this organization.

### OUR TARGETS IN THE FUTURE

BİM is a unique company that has managed to acquire the lead in its sector. This has been accomplished by enhancing and enlarging our store network throughout the country. The key to this success is a well-defined organization and well-disciplined business know-how.

We will continue to increase the number of our stores in 2007. As we enlarge our physical distribution channels, we will continue to update our operational processes and substructures. These updates not only will improve the efficiency of our growing organization but also will intensify control over our financial structure.

Our goal to serve new and different products to our customers without increasing the number of SKU's is an important force propelling us forward. In order to keep a strong presence in the market, BİM will continue working toward a more customer-focused approach.

### THE LAST WORD AND THANKS

BİM has been a publicly listed company since July 15, 2005, thus the IPO date. During the 18 months following the IPO, the ISE 100 index increased by 38%, while BİM shares improved by an impressive 182%.

I would like to thank all of our investors. The strong performance of our company's share price clearly indicates that we have gained your trust and support.

I would also like to acknowledge and thank our customers for their loyalty to our brand and in their trust.

There is no doubt that the most important determinant of our success has been our people. I would like to thank each and every staff member for his or her high degree of motivation that they have demonstrated plus their successful performance and sacrifice that has contributed to our outstanding success.

Gratefully yours,

**Jos Simons**

CEO







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# ABOUT BIM

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At the root of BIM's success lies a business model and service concept aimed at offering quality products at lowest possible prices based on effective cost management.

## DECENTRALIZED ORGANIZATION

EACH OF BIM'S FOURTEEN REGIONAL ORGANIZATIONS SERVES AS A CENTRAL WAREHOUSE FOR ITS OWN TERRITORY AND IS RUN BY ITS OWN GENERAL MANAGER. THIS DECENTRALIZATION IS AN IMPORTANT ELEMENT OF BIM'S ORGANIZATIONAL STRUCTURE.

## EFFECTIVE COST MANAGEMENT

Utilizing a business model based on effective cost management, BIM reflects its savings into lower prices, constituting BIM's most significant competitive edge in the industry.

## EFFECTIVE INVENTORY MANAGEMENT

Yet another successful aspect of BIM's management is inventory management. BIM manages its inventory by means of a central system and performs inventory operations using the world-widespread SAP program.

## EFFECTIVE PRODUCT RANGE

At BIM stores priority is always given to items that will meet the day-to-day needs of its customers. The goods sold in the stores are specially selected to meet 80% of the daily consumption needs of a household.

## BIM'S HARD DISCOUNT CONCEPT

Elements of BIM's hard discount concept:

- Minimize decision-making and implementation processes through a decentralized structure, thus providing a dynamic business model.
- Avoid unnecessary costs that would adversely impact product prices.
- Keep quality standards under control by working with a product portfolio limited to about 600 items that are offered for sale at the lowest prices possible.

BIM is the largest purchaser of several products that it sells. This enables it to purchase products from suppliers at much lower prices. In addition, operational costs are minimized at several areas including store location, product choice, purchasing, pricing, selection of personnel, distribution and management. BIM translates all of this into lower prices for its consumers.

## DISTRIBUTION OF STORES BY REGION

ADANA	86	KONYA	71
ANKARA	117	SAKARYA	110
ANTALYA	78	SAMANDIRA	221
BAYRAMPAŞA	124	SAMSUN	101
BURSA	97	ŞANLIURFA	35
ESENYURT	137	TRABZON	70
İZMİR	133	TRAKYA	74



### BİM'S COST MANAGEMENT

Through a business model based on effective cost management, cost reductions are reflected in its product prices. This constitutes BİM's most significant competitive edge in the industry.

BİM's cost management principles include -

1. Renting rather than buying stores
2. Locating stores on side streets instead of opening high-cost stores on main streets in the same area
3. Employing the smallest number of people able to do the job while still managing human resource requirements effectively; part-time personnel are used for as much of the workload as is feasible
4. Minimizing store decoration expenditures
5. Minimizing advertising and promotional expenses
6. Performing distribution through a company-owned logistics network
7. Offering a limited product range and increasing bargaining power in purchasing
8. Providing as many private-label products as possible
9. Keeping cost accounting under control on a daily basis, taking action immediately when circumstances require
10. Seek out new ways to economize and putting them into practice

### BİM INVENTORY MANAGEMENT

Yet another successful aspect of BİM's organization is inventory management. BİM manages its inventory using a central system and performs inventory operations with the SAP program. BİM monitors the movement of stocks from warehouses to stores and from stores to customers in the most efficient manner with this system.

In addition to automatic stock control with SAP, an inventory count is made in all stores and warehouses on a monthly and quarterly basis. The results of these inventories are compared against SAP data.



## SPOT PRODUCTS

Spot goods with long shelf lives increase customer traffic in stores and consequently improve the sale of regularly stocked items.

## BRANDED GOODS

These are products that are commonly recognized in the market and which customers are known to trust and to seek out. Since these products are sold below their market prices at BİM, they tend to attract new customers to BİM stores.

## PRIVATE-LABEL PRODUCTS

The most important feature of the private-label goods pioneered by BİM is that they are sold at prices 15-45% below those of similar quality goods.

## BİM PRODUCT RANGE

At BİM stores, priority is always given to items that meet the day-to-day needs of its customers. The goods sold are especially selected to meet 80% of the daily consumption needs of a household.

In addition to high-quality private-label goods, BİM's product range also includes strong brands preferred by consumers.

**BİM products are divided into four basic groups:**

**Private-label products:** These are high-quality products whose brand and formula belong exclusively to BİM and are manufactured by carefully selected suppliers. BİM has been the pioneer of such goods sold by various markets in Turkey since 1997. The most important feature of private label products is that they are sold at prices 15-45% below those of similar quality goods.

**Spot products:** These are long shelf-life goods such as food or non-food items that are not continuously stocked and offered to consumers in weekly or fortnightly intervals. Spot products with a long shelf life increase customer traffic in stores and consequently improve the sale of regularly stocked items.

## AVERAGE STAFF NUMBER

2006		7,903
2005		6,667

THE PROFESSIONAL MANAGEMENT TEAM OF THE COMPANY IMPLEMENTS THE BUSINESS MODEL QUITE SUCCESSFULLY WITH ITS 7,903 PERSONNEL IN AVERAGE THAT CREATES SIGNIFICANT EMPLOYMENT OPPORTUNITIES.



**Exclusive products:** These are products with contents and package sizes designed by various consumer brands exclusively for BIM. On sale since 1998, customers prefer these products since they are economical.

**Branded Products:** These are products that are widely recognized in the market and which consumers are known to trust and to seek out. Since these products are sold below their market prices at BIM, they tend to attract new customers to BIM stores. Regular BIM customers prefer BIM's private labels; therefore we aim to gradually reduce the sale of branded goods.

### **BIM TEAM**

To its young, dynamic employees, BIM offers a work environment based on mutual assistance and respect where they can receive professional training to expand their abilities.

BIM's senior management has extensive experience and a proven track record in the food retailing industry. Most top managers have been with BIM since its inception. This is yet another significant factor contributing to BIM's steady rise in the sector.

BIM adopts a unique approach to the development of its store and warehouse managers. As the company is managed in a decentralized manner, a work environment is offered where they can develop management skills and learn to take the initiative. In this sense BIM is much like a school that prepares the senior managers and entrepreneurs of the future.

Another successful cost-cutting practice of the company is in the area of human resources. Due to great attention given to human resources planning and management, BIM employs the minimum number of personnel that is required for providing the services its customers expect. BIM stores are also well-known for the part-time employment opportunities they provide on days and at times when customer traffic is heavier than usual.



# 2006 IN REVIEW

As the first and only example of hard-discount retailing in Turkey, BİM achieved financial and operational success in 2006. Sales volume increased 31.4% while the number of stores rose 21.8% over the previous year.

## PROFITABLE GROWTH

Effective cost controls, low fixed-prices, economies of scale achieved by the expansion of the store network and the lack of indebtedness to financial institutions have helped BİM achieve successful financial results and profitable growth.

Enjoying a robust cash inflow, BİM possesses the strength to self-finance its investments. Continuing to grow and maintain its profitability in 2006, the company held onto its second place ranking despite mergers and acquisitions in the industry. The average price increases for BİM products in 2006 remained below 2006 CPI inflation. As all operations are denominated in New Turkish Lira (YTL), BİM operations were not affected by the exchange rate fluctuations that occurred during the year.

Sales volume reached YTL 2,222 million in 2006, corresponding to a 31.4% increase over the previous year and a 53% increase over the last two years. The most important factors underlying this stable, sustainable growth have been -

- Additional shopping basket value at the stores and an increase in the number of customers per store
- Consistent expansion in the number of stores
- Growth in the Turkish food retailing industry and particularly in the discount food retail segment
- Favorable macroeconomic environment

Moreover, inventory losses are below industry averages.

### TOTAL SALES OF PRIVATE-LABEL PRODUCTS (YTL millions)

2006	992
2005	769
2004	635

### NUMBER OF STORES AND NET SALES

2006	2,222	1,454
2005	1,691	1,194

■ Net Sales (YTL millions)  
■ Number of stores





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# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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## 1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The company has diligently adhered to Corporate Governance Principles published by the Capital Markets Board; efforts to eliminate any shortcomings in this regard are ongoing.

### CHAPTER I - SHAREHOLDERS

#### 2. Investor Relations Unit

BİM has set up an Investor Relations Unit within the Finance Department to set up relationships between the company's management and its shareholders. It was established to provide information to shareholders and stakeholders as swiftly, efficiently and completely as possible.

#### Operations Committee Member and CFO

Haluk Dortluoğlu

Tel: (216) 564 03 46

#### Reporting and Investor Relations Manager

Serkan Savaş

Tel: (216) 564 03 46

E-mail: serkan.savas@bim.com.tr

The main tasks of this unit include providing information to the public in accordance with applicable legislation, ensuring rapid response to questions from shareholders or analysts from various organizations within the context of information disclosed to the public and preparing annual reports. During the reporting period, the unit has participated in nine investor conferences organized by brokerage firms. Investors and shareholders were provided information during these conferences and during more than 100 meetings held at BİM's Headquarters.

#### 3. Shareholders exercise of their right to obtain information

Shareholder questions about financial data, dividend payments and general shareholders' meetings have been duly answered. All publicly disclosed information is available and easily accessible to shareholders on the company's website ([www.bim.com.tr](http://www.bim.com.tr)) in the Investor Relations section. Other information was disseminated to persons and enterprises in BİM's database via e-mail. Moreover, requests for information

from shareholders and brokerage houses during the year were responded to via various communication channels including conference calls and one-on-one meetings. Additionally, at each quarterly financial period, conference calls are set up with the investors where the details of the calls are announced via e-mail to the investors that are available in the company's database.

The company's Articles of Incorporation do not grant shareholders the right to request the appointment of a special auditor and no such request was made during the reporting period.

#### 4. General Shareholders' Meeting

The Ordinary Annual General Meeting of BİM Birleşik Mağazalar A.Ş. was held on April 4, 2006 at the Grand Cevahir Hotel on Darülaceze Caddesi, No:9 Şişli /Istanbul under the supervision of the Ministry of Industry and the Commercial Commissioner Demir İnal, officially authorized by the Istanbul Provincial Industry and Trade Directorate's letter No. 14319 and dated April 3, 2006. Participation in the annual general meeting was made through letters of invitation and newspaper advertisement. No specific deadline was stipulated for registration in the share ledger to allow owners of registered shares to attend the annual general meeting. According to the list of attendants, of the 25,300,000 shares, 5,844,043 were represented in person and 9,815,554 by proxy. During the annual general meeting, no motion was put forward by shareholders that would necessitate an amendment to the Articles of Incorporation. Questions raised at the meeting were responded to orally. The minutes were published in the Commercial Registry Journal of Turkey No. 6536 and dated April 14, 2006. The Turkish and English texts of the minutes are available in the Investor Relations section of the company's website. The minutes have also been made freely available to shareholders at the Headquarters.

## 5. Voting Rights and Minority Rights

All company shares are bearer's shares that do not contain any privileges concerning voting rights. Shareholders of the company and their proxies are entitled to one vote for each share of stock they hold at both ordinary and extraordinary general meetings. Shareholders may be represented by a proxy at general meetings. Voting by proxy is subject to the regulations of the Capital Markets Board. Although the Articles of Incorporation do not provide for cumulative voting, minority shareholders are not represented in management.

## 6. Dividend Payment Policy and Timing

BİM's dividend policy is defined in the Articles of Incorporation. Since these Articles do not contain any privileges regarding voting rights, no privileges exist concerning distribution of dividends. The timing of dividend distribution is determined by the Annual General Meeting upon the proposal of the Board of Directors in accordance with the provisions of the Turkish Commercial Code and capital markets legislation.

## 7. Transfer of Shares

Shares are transferred in accordance with the provisions of the Turkish Commercial Code and other relevant legislation.

## CHAPTER II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Disclosure Policy

The company makes public disclosures on issues specified in Communiqué No. 39, Series VIII, of the Capital Markets Board (SPK) dealing with public disclosure about special circumstances. Moreover, the Investor Relations Unit makes replies to shareholders' questions correctly, fully and equally. Article 2 of this report specifies the names and contact information of persons responsible for the implementation of the disclosure policy.

### 9. Special Circumstance Announcements

During 2006, BİM made 56 special circumstance announcements. In addition to the announcement related with the minutes of the 2005 general meeting, the Istanbul Stock Exchange requested an additional disclosure, which was made on April 4, 2006 on time. No special circumstance announcements were delayed beyond the specified timeframe.

The disclosures are also available on the company's website ([www.bim.com.tr](http://www.bim.com.tr)).

### 10. Company website and its contents

Information concerning shareholders is provided in the Investor Relations section of the website ([www.bim.com.tr](http://www.bim.com.tr)) together with their English translations, under the following headings;

- Company Name
- Shareholding Structure
- Board of Directors and Executive Management
- Corporate Governance Principles Compliance Report
- Financial Reports
- Istanbul Stock Exchange Filings
- Financial Calendar
- Annual General Assembly
- Investor Relations Contact

### 11. Ultimate Controlling Shareholders

The partnership structure of the company shown below was publicly disclosed both on the company's website and in quarterly financial reports. Individuals own all shares except for those that are publicly traded.

Shareholder	Shares	Ratio (%)
Mustafa Latif Topbaş	5,564,416	21.99
Abdulrahman A. El Khereji	4,952,100	19.57
Zuhair Fayaz	998,275	3.95
Ahmet Afif Topbaş	1,138,500	4.5
İbrahim Halit Çizmeci	665,266	2.63
Other (Publicly-traded)	11,981,443	47.36
Total	25,300,000	100.00

### 12. Public disclosure of those who may have access to insider information

Members of the Board of Directors, auditors and senior managers are listed below and have been publicly disclosed on the company's website.

#### Board of Directors

Mustafa Latif Topbaş	Chairman
Mehmet Fatih Saraç	Vice Chairman
Ekrem Pakdemirli	Member
Mahmut P. K. Merali	Member
Ömer Hulusi Topbaş	Member
Zeki Ziya Sözen	Member

#### Auditors

Prof. Selahattin Tuncer	Auditor
Prof. Arif Ateş Vuran	Auditor

#### Top Management

Jos Simons	Chief Executive Officer
Galip Aykaç	Operations Committee Member.
Ürfet Naçar	Operations Committee Member.
Bülent Pehlivan	Operations Committee Member.
Haluk Dortluoğlu	Operations Committee Member and Chief Financial Officer
Ünsal Çetinkaya	General Purchasing Manager

## CHAPTER III -STAKEHOLDERS

### 13. Keeping stakeholders informed

In accordance with applicable legislation, stakeholders are informed about all relevant issues using appropriate channels of communication, provided that these are not commercial secrets.

### 14. Stakeholders' participation in management

Meetings are held with employees and other stakeholders to improve efficiency. Senior management periodically evaluates the proposals obtained from these meetings.

### 15. Human Resources Policy

As specified in BİM Organization Objectives, company objectives rely almost totally on the performance of our employees. BİM Personnel Regulations stipulate that work at BİM should be organized in accordance with these goals and that the general principles of personnel rights and working conditions should be arranged accordingly. Relationships with employees are managed by personnel and administrative staff located at the 14 regional warehouses and the Headquarters.

#### What we offer our employees:

- A job that is reasonable, demands responsibility and has specific objectives.
- A working environment based on mutual assistance and respect.
- An attitude that mistakes may be made in the effort to achieve the company's objectives but that nobody makes mistakes knowingly or deliberately.
- A technologically comfortable working environment, to the degree that the company's means permit.
- Opportunities to advance themselves professionally through training and development.

**What we expect of our employees:**

- Every employee of ours should be able to think on his own in the conduct of his job in line with the company's objectives and to make decisions out of an awareness of his responsibilities and in coordination with fellow employees.
- Every employee of ours should be prepared to serve well and to learn in line with the company's objectives.
- Every employee of ours should be able to make suggestions so that the company may be better organized and managed in order to achieve its objectives.
- Every employee of ours should have the courage to make decisions.
- Every employee of ours should work with and have confidence in other employees so that the company is able to achieve better results.

**What we expect of our managers:**

- Our managers are people who like people and who find it easy to interact with them.
- Our managers should try to manage by laying down as few rules as possible.
- Our managers should assign duties, authorities and responsibilities to employees who are knowledgeable about the matters involved.
- All our managers should encourage employees to think, to speak their minds and to make decisions.
- All our managers should allow employees to determine how to perform their own jobs within the framework of company rules.
- Every manager of ours should focus on employees' results.
- Every manager of ours should encourage employee success by acknowledging and supporting their personal and professional development.
- Our managers should identify problems and come up with solutions together with employees rather than discover mistakes and then blame and punish people for them.

- Our managers should listen to employees patiently and make an effort to understand them. Managers and employees should work together on every issue in order to come up with a solution.
- Our managers should refrain from personal and abusive criticism.
- Our managers' most important duty is to make employees successful.

**16. Relations with customers and suppliers**

The company's approach regarding relationships with customers and suppliers is set in BİM organization objectives and is mentioned in the CEO's message on Page 5.

**17. Social responsibility**

The company is not involved in any manufacturing activity. Plastic and cardboard waste is carefully collected from stores and brought to warehouses to minimize environmental impact. It is sold to certain companies on a contractual basis.

In an effort to supervise the quality of its product portfolio, BİM coordinates with the Turkish Quality Control Laboratory and the TUBITAK Research Institute. TUBITAK undertakes chemical and biological testing on products sold by BİM and subjects their places of manufacture to stringent quality control.

Additionally, in both the Istanbul head office and other regional organizations, goods are randomly sampled and subject to quality control tests. When a new product is placed on the market, quality and popularity tests are performed. Similar tests are undertaken for equivalent products and products of competitors and the results are compared.

## CHAPTER IV - THE BOARD OF DIRECTORS

### 18. The Structure and Formation of the Board of Directors; non-executive directors.

The Board of Directors is responsible for the management and representation of the company. The board consists of seven members elected at the General Shareholders' Meeting in accordance with provisions of the Turkish Commercial Code. Two members serve as independent directors as described in the corporate governance guide of the Capital Markets Board (SPK) and none of the Board members has an executive position at the company.

During the reporting period one independent member resigned; a new member has not yet been appointed to replace him. There is a restriction in the article 19 of the Company's Articles of Incorporation, that the Board Members are not allowed to take up the duties stated in the provisions of 334 and 335 of the Turkish Commercial Code, without taking the permission of the General Shareholders' Meeting. Members' names are listed in Article 12 of this report.

### 19. Qualifications of Board Members

Members of the Board of Directors are knowledgeable and experienced individuals who possess the qualifications spelled out in the Capital Markets Board's corporate governance principles. The Articles of Incorporation do not contain any further arrangements concerning the minimum qualifications required of membership candidates.

### 20. Mission, Vision and Strategic Goals

BİM's goal is to achieve maximum efficiency in the discount food-retailing sector and to expand into other regions in Turkey as well as into other countries where this concept can be implemented. The company also aims to provide high quality products, improve operational efficiency coupled with price cutting, increase the number of private-label products in its product range and reduce costs by increasing bargaining power with suppliers.

### In the long term,

- BİM will have the largest revenue share in the food retailing industry in Turkey.
- It will have a product range of around 600 items.
- Honesty, reliability and fairness are our principles. No matter how big we become, we will retain our modesty.
- Regardless of race, religion or language, we will remain unbiased to employees and attempt to always understand their point of view. We will respect the personal lives of each and every one of our employees. We will avoid extremes that might make our customers uncomfortable.

The Board of Directors reviews financial data on a monthly basis to ascertain to what extent company objectives are achieved.

### 21. Risk Management and Internal Control Mechanism

Auditing Committee that comprised of the two Board members and internal auditing unit are the main elements of company's risk management and internal control environment. The reports that auditing committee prepares are quarterly submitted to Board of Directors. Moreover, internal management reports prepared monthly is one of the main component of the internal control mechanism.

### 22. Authorities and responsibilities of company directors and executives

The Board of Directors fulfils duties stipulated by law and BİM's Articles of Incorporation. The Board of Directors is authorized to take any action that is related to the company's goals and undertakes all legal, financial and technical operations on behalf of the company.

### **23. Operating Principles of the Board of Directors**

As indicated in the Articles of Incorporation, the Board of Directors convenes upon the chairman's invitation when company business and activities require. However, the Board of Directors is required to meet routinely every three months. The chairman convenes the Board upon the request of any Board member. If the chairman does not convene the Board within ten business days of said request, the deputy chairman is responsible for convening the Board. The invitation for a meeting and its agenda must be sent to each member by registered mail, hand-delivered or sent by fax or telex at least 15 days prior to the scheduled meeting date. Meetings may be held at the Headquarters or at another location in Turkey or, if unanimously approved by the Board, the meeting can take place at a location abroad. Although Board members have equal voting rights, they do not have the right to cast a negative vote. The Board's agenda is prepared based on emerging requirements.

During 2006, the Board of Directors met nine times and made fifteen decisions without meeting but by obtaining the approval of the members in accordance with article 330/2 of the Turkish Commercial Code (TCC). None of the members voted against the decisions.

### **24. Prohibition for doing business or competing with the company**

Members of the Board are not permitted to engage in the transactions stipulated in Articles 334 and 335 of the Turkish Commercial Code without the approval of the General Shareholders' Meeting.

### **25. Rules of Ethics**

The Organizational Objectives document, shared with all employees, clearly specifies the company's expectations of its employees, managers and suppliers. These expectations and rules have not been disclosed to the public. Procedures have been developed for general and specific rules that must be adhered to within the company. These procedures are implemented strictly and are revised when need be.

### **26. Number, Structure and Independence of Board Committees**

The Board of Directors has a Related Party Committee and an Auditing Committee. These committees submit quarterly reports to the Board enabling the Board to fulfill its duties and responsibilities in a sound manner. Both committee members do not have executive roles in the company and one member sits on both committees and is also an independent member of the Board. The Board of Directors does not have a corporate governance committee.

### **27. Financial benefits provided to the Board of Directors**

Members of the Board of Directors are paid an honorarium for attending meetings. No financial benefits are provided to Board members and managers in the form of loans, credits, etc. No performance-based financial rewards are provided to Board members.





# BİM BİRLEŐİK MAĐAZALAR ANONİM ŐİRKETİ

## Financial Statements and Independent Audit Report as of December 31, 2006



## REPORT OF INDEPENDENT AUDITORS

To the Shareholders of  
BİM Birleşik Mağazalar Anonim Şirketi

We have audited the accompanying financial statements of Bim Birleşik Mağazalar Anonim Şirketi (the Company- a Turkish corporation), which comprise the balance sheet as at December 31, 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BİM Birleşik Mağazalar Anonim Şirketi as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



March 8, 2007  
Istanbul, Turkey

# BİM Birleşik Mağazalar Anonim Şirketi

## BALANCE SHEET

As at December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL])

	Notes	December 31, 2006	December 31, 2005
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	81,085	60,335
Trade receivables, net	4, 9	66,437	41,682
Inventories, net	5, 9	149,154	105,632
Prepayments and other current assets	6	6,167	4,439
<b>Total current assets</b>		<b>302,843</b>	<b>212,088</b>
Property and equipment	7	170,176	112,763
Intangibles, net	8	1,303	1,608
Other non-current assets		773	605
<b>Total non-current assets</b>		<b>172,252</b>	<b>114,976</b>
<b>Total assets</b>		<b>475,095</b>	<b>327,064</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables, net	9	295,283	202,512
Income tax payable	11	3,368	4,397
Other payables and accrued liabilities	9, 10	13,341	9,926
<b>Total current liabilities</b>		<b>311,992</b>	<b>216,835</b>
Reserve for long-term defined employee benefit plan	12	4,307	3,239
Deferred tax liability	11	8,641	11,475
Other non-current liabilities	10	700	-
<b>Total non-current liabilities</b>		<b>13,648</b>	<b>14,714</b>
<b>Equity</b>			
Share capital	13	33,721	33,721
Revaluation surplus	7	12,776	5,316
Legal reserves and retained earnings	22	102,958	56,478
<b>Total equity</b>		<b>149,455</b>	<b>95,515</b>
<b>Total liabilities and equity</b>		<b>475,095</b>	<b>327,064</b>

The accompanying policies and explanatory notes on pages 30 through 54 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ**  
**STATEMENT OF INCOME**  
**For the year ended December 31, 2006**  
**(Currency - Thousands of New Turkish Lira [YTL])**

	Notes	December 31, 2006	December 31, 2005
Net sales		2,221,616	1,690,960
Cost of sales	9, 15	(1,834,978)	(1,390,685)
<b>Gross profit</b>		<b>386,638</b>	<b>300,275</b>
Selling and marketing expenses	9, 16,18	(261,153)	(213,037)
General and administrative expenses	9, 17,18	(47,303)	(40,177)
Other operating income / (expense), net	20	1,833	(10,123)
Financial income	9, 19	7,027	1,594
Financial expense	9, 19	(614)	(839)
Gain on net monetary position		-	5,426
<b>Profit before tax</b>		<b>86,428</b>	<b>43,119</b>
Tax charge			
- Current	11	(17,763)	(11,673)
- Deferred	11	3,115	(1,265)
<b>Taxes on income</b>		<b>(14,648)</b>	<b>(12,938)</b>
<b>Net profit</b>		<b>71,780</b>	<b>30,181</b>
Weighted average number of shares (1 YTL par value each)		25,300,00	25,300,000
Basic and fully diluted earnings per share (full YTL)	21	2.837	1.193

The accompanying policies and explanatory notes on 30 through 54 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended December 31, 2006**  
**(Currency - Thousands of New Turkish Lira [YTL])**

	Share Capital	Revaluation Surplus	Legal Reserves	Retained Earnings	Total
<b>At January 1, 2005</b>	<b>33,721</b>	<b>5,316</b>	<b>-</b>	<b>47,346</b>	<b>86,383</b>
Dividends paid (Note 21)	-	-	-	(21,049)	(21,049)
Transfer to legal reserves	-	-	3,042	(3,042)	-
Net profit for the year	-	-	-	30,181	30,181
<b>At December 31, 2005</b>	<b>33,721</b>	<b>5,316</b>	<b>3,042</b>	<b>53,436</b>	<b>95,515</b>
Dividends paid (Note 21)	-	-	-	(25,300)	(25,300)
Transfer to legal reserves	-	-	4,852	(4,852)	-
The effect of change in tax rate (Note 7)	-	519	-	-	519
Increase in revaluation surplus (Note 7)	-	6,941	-	-	6,941
Net profit for the year	-	-	-	71,780	71,780
<b>At December 31, 2006</b>	<b>33,721</b>	<b>12,776</b>	<b>7,894</b>	<b>95,064</b>	<b>149,455</b>

The accompanying policies and explanatory notes on pages 30 through 54 form an integral part of the financial statements.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2006**  
**(Currency - Thousands of New Turkish Lira [YTL])**

	Notes	2006	2005
<b>Cash flows from operating activities</b>			
Net income before monetary gain and tax charge		86,428	37,693
<b>Adjustments to reconcile net income to net cash provided by operating activities :</b>			
Depreciation and amortization	7, 8	26,691	24,984
Reserve for long-term defined employee benefit plan	12, 16, 17	740	661
Financial expense of long-term defined employee benefit plan	12, 19	328	227
Profit share income from deposit accounts	19	(6,689)	(885)
Allowance for inventories		1,307	-
Provision for doubtful receivables	4	115	406
Recoveries from provision for doubtful receivables	4	(273)	-
Loss / (gain) on sale of property and equipment and intangibles	7, 8, 20	1,018	(114)
		<b>109,665</b>	<b>62,972</b>
<b>Changes in working capital</b>			
Trade receivables	4, 9	(24,597)	(7,154)
Inventories	5	(44,829)	(12,675)
Prepayments and other current assets	6	(1,728)	(2,274)
Other non-current assets		(168)	(115)
Trade payables	9	92,771	54,988
Other payables and accrued liabilities	10	3,048	2,796
Other non-current liabilities		700	-
Profit share received from deposit account	19	6,689	885
Taxes paid	11	(18,792)	(9,539)
		<b>122,759</b>	<b>89,884</b>
<b>Net cash generated by operating activities</b>			
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment and intangibles	7, 8	(79,518)	(27,172)
Proceeds from sale of property and equipment and intangibles	7, 8	2,442	2,271
		<b>(77,076)</b>	<b>(24,901)</b>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities:</b>			
Dividends paid	9, 21	(24,933)	(21,049)
		<b>(24,933)</b>	<b>(21,049)</b>
<b>Net cash used in financing activities</b>			
Net effect of monetary loss on cash and cash transactions		-	(1,110)
Increase in cash and cash equivalents		20,750	42,824
Cash and cash equivalents at the beginning of the year	3	60,335	17,511
	<b>3</b>	<b>81,085</b>	<b>60,335</b>
<b>Cash and cash equivalents at the end of the year</b>			

The accompanying policies and explanatory notes on pages 30 through 54 form an integral part of the financial statements.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 1. Corporate Information

#### General

BİM Birleşik Mağazalar Anonim Şirketi (a Turkish joint stock company - the Company) was established on May 31, 1995 and commenced its operations in September 1995. The registered address of the Company is Samandıra Ebubekir Cad. No: 289 Kartal, Istanbul.

The financial statements prepared in accordance with International Financial Reporting Standards (IFRS) were authorized for issue on March 8, 2007 by the Board of Directors of the Company. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

#### Nature of Activities of the Company

The Company is engaged in operating retail stores of fast moving basic consumer goods through its retail shops throughout Turkey, which sell an assortment of approximately 600 items, including a number of private labels. As of December 31, 2006, the Company operated through 14 warehouses (December 31, 2005 - 13) in various cities in Turkey. As of December 31, 2006, the number of stores is 1,454 (December 31, 2005 - 1,194).

### 2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for land and building which are carried at fair value.

The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira (YTL) in accordance with Turkish Commercial Code and Tax Legislation and the generally accepted accounting principles issued by the Turkish Capital Market Board (CMB). These financial statements have been prepared from the statutory financial statements of the Company with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL (until December 31, 2005), provision for inventories, deferred taxation, employee termination benefits, revaluation of land and building.

### 2.2 Changes in Accounting Policies

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as IFRIC 4, Determining Whether an Arrangement Contains a Lease. Adoption of this new interpretation did not have any effect on the financial statements of the Company. It did however have rise to additional disclosure. The other new and amended IFRS and IFRIC interpretations did not have any effect on the financial statements and explanatory notes of the Company.

#### Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Company has not early adopted, as follows:

- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective for financial years beginning on or after 1 January 2007)  
IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It



# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital.

- IFRS 8, Operating Segments (effective for financial years beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company is in the process of assessing the impact this new standard will have on its financial statements.

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for financial years beginning on or after 1 March 2006)

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyper-inflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Company's operations.

- IFRIC 8, Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).

IFRIC 8 clarifies that IFRS 2 Share-based payment will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less than the fair value of the instruments given. IFRIC 8 is not relevant to the Company's operations.

- IFRIC 9, Reassessment of Embedded Derivatives (effective for financial years beginning on or after 1 June 2006)

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Company's operations.

- IFRIC 10, Interim Financial Reporting and Impairment (effective for financial years beginning on or after 1 November 2006).

This Interpretation may impact the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

- IFRIC 11, IFRS 2-Company and Treasury Share Transactions (effective for financial years beginning on or after 1 March 2007)

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Company's operations.

- IFRIC 12, Service Concession Arrangements (effective for financial years beginning on or after 1 January 2008)

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator not to account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Company's operations.

### 2.3 Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities within the next financial year. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts liabilities within the next financial year and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections of Note 2.4 and 2.5, below, which are mainly related with the application of IAS 29, accounting of employee termination benefits, provision for inventories, revaluation of land and buildings, assessment of economic useful lives of property and equipment and intangibles, impairment of assets and adequacy of provision for income taxes.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 2.4 Functional and Presentation Currency

The restatement for the changes in the general purchasing power of YTL as of December 31, 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous period/year be restated in the same terms. Determining whether an economy is hyperinflationary in accordance with IAS 29 requires judgment as the standard does not establish an absolute rate, instead it considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation : (a) the general population prefers to keep its wealth in non monetary assets or in a relatively stable currency; amounts of local currency held are immediately invested to maintain purchasing power, (b) the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable currency; prices may be quoted in that currency, (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, (d) interest rates, wages and prices are linked to a price index and (e) the cumulative inflation rate over three years is approaching, or exceeds 100%. As of December 31, 2006, the three-year cumulative rate has been 32.8% (December 31, 2005 - 35.6%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Based on the current trends and developments and since the positive trends are confirmed as "other than temporary", Turkey came of hyperinflationary status effective from January 1, 2006. Therefore, application of the inflation accounting has ceased effective from January 1, 2006.

Index and conversion factors for the three-year period ended December 31, 2005 as they are applied for IAS 29 restatement until December 31, 2005 (based on the Turkish Countrywide Wholesale Price Index - WPI - published by the SIS) are provided below:

Dates	Index	Conversion Factors
December 31, 2005	8,785.7	1,0000
December 31, 2004	8,403.8	1,0454
December 31, 2003	7,382.1	1,1901

The main guidelines for the above mentioned restatement are as follows:

- the inflation adjusted share capital was derived by indexing cash contributions from the date they were contributed through December 31, 2005.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors through December 31, 2005.
- all items in the income statement for the year ended December 31, 2006 are presented with their historical values with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets which have been calculated based on the restated gross book values and accumulated depreciation / amortization until December 31, 2005.
- the amount of non-monetary assets, liabilities and components of equity expressed in the measuring unit current at the end of December 31, 2005 are treated as the basis for the carrying amounts of these items in the financial statements as of December 31, 2006 without further restatement in 2006.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 2.5 Summary of Significant Accounting Policies

#### Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at banks and on hand and cash in transit. Cash and cash equivalents consist of short-term highly liquid investments including time deposits generally having original maturities of three months or less.

#### Trade Receivables

Trade receivables, which generally have an average of 10 day term (December 31, 2005 - 9 days) are carried at amortized cost less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first in first out method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

#### Property and Equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Increases in the carrying amount arising on revaluation of property are initially credited to revaluation reserve in shareholders' equity net of the related deferred tax.

Depreciation is provided on cost or revalued amount of property on a straight-line basis. The depreciation periods for property and equipment, which approximate the estimated economic useful lives of such assets, are as follows:

	<b>Years</b>
Land improvements	5
Building	25
Machinery and equipment	7, 10
Furniture and fixtures	5
Vehicles	5
Leasehold improvements	10

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### Intangible Assets

Intangible assets which mainly comprise software rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Impairment of Assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recorded in income or as a revaluation increase.

### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### Related Parties

Parties are considered related to the Company if;

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

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

### Trade Payables

Trade payables which generally have an average of 49 day term (December 31, 2005 - 47 day) are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### Income Taxes

Tax expense is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

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

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, 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 and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

### Contingent Assets and Liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

### Long-term Employee Benefits

#### (a) Defined Benefit Plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

As discussed in Note 12, the reserve for employee termination benefits is provided for in accordance with IAS 19 "Employee Benefits" and is based on an independent actuarial study.

In the financial statements, the Company has recognised a liability using the "Projected Unit Credit Method". Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, in accordance with the valuation made by the qualified actuaries. Actuarial gains and losses are recognized over the average remaining working lives of employees. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the discount rate estimate of qualified actuaries.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### (b) Defined Contribution Plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

### Foreign Currency Transactions

Transactions in foreign currencies during the years have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Company as of December 31, 2006 are as follows:

Dates	USD / YTL (full)	EUR / YTL (full)
December 31, 2006	1.4056	1.8515
December 31, 2005	1.3418	1.5875

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be reliably measured.

#### Sale of goods

Revenue is recognised net of discounts and Value Added Tax (VAT) when delivery has taken place and transfer of risks and rewards has been completed.

#### Profit share income

Revenue is recognised as profit share accrues.

### Earnings per Share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without a consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation, such Bonus Share distributions are regarded as stock dividends.

### Subsequent Events

Post year/period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year/period-end events that are not adjusting events are disclosed in the notes when material.



# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### Borrowing Costs

Borrowing costs are expensed as incurred.

### Investments and Other Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year/period-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### Derecognition of Financial Assets and Liabilities

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. As the Company operates in a single business segment and in one country, there is no basis for segment reporting.

### 3. Cash and Cash Equivalents

	December 31, 2006	December 31, 2005
Cash on hand	17,761	11,112
Cash at banks (demand deposits)	7,742	8,915
Cash at banks (time deposits) (*)	38,547	31,574
Cash in transit	17,035	8,734
	<b>81,085</b>	<b>60,335</b>

(\*) Time deposits are profit/loss participation accounts in New Turkish Lira and are opened on the basis of profit/loss participation whereby the funds invested are directly used in interest - free financing of trade and industry. Profit share amounts are collected at maturity. Profit share rate of time deposits at December 31, 2006 is 13,6% per annum (December 31, 2005 - 11.7%) and maturity of time deposits is 30 days (December 31, 2005 - 30 days).

There is no restricted cash as of December 31, 2006 and 2005.

### 4. Trade Receivables

	December 31, 2006	December 31, 2005
Credit card receivables	65,531	40,911
Trade receivables	1,007	967
Advances given	112	308
Other receivables	311	178
Provision for doubtful receivables	(524)	(682)
	<b>66,437</b>	<b>41,682</b>

As of December 31, 2006 and December 31, 2005, the average term of trade receivables is 10 and 9 days respectively.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)**

Movements of provision for doubtful receivables are as follows:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Balance at the beginning of year	682	361
Provision (*)	115	406
Recoveries (*)	(273)	-
Write off	-	(62)
Monetary gain	-	(23)
<b>Balance at the end of year</b>	<b>524</b>	<b>682</b>

(\*) Loss and gain recognized from provision for doubtful receivables and recoveries are included in other income / (expense) (Note 20).

**5. Inventories, net**

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Trade goods	138,524	98,428
Advances given	9,629	6,666
Other stocks	1,001	538
	<b>149,154</b>	<b>105,632</b>

As of December 31 2006, allowance provided for net realizable value and slow moving of trade goods amounted to YTL 1,307 (December 31, 2005 - nil).

**6. Prepayments and Other Current Assets**

As of December 31, 2006, prepayments and other current assets mainly include prepaid rent, prepaid insurance premiums and due from personnel totaling to YTL 6,167 (December 31, 2005 - YTL 4,439).

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 7. Property and Equipment

The movements of property and equipment and the related accumulated depreciation and impairment losses for the years ended December 31, 2006 and 2005 are as follows:

	December 31, 2005	Additions	Disposals	Transfers	Net off	Revaluation reserve	December 31, 2006
<b>Cost or revalued amount</b>							
Land	3,836	6,136	-	-	-	4,989	14,961
Land improvements	180	173	-	-	-	-	353
Building	9,102	599	-	8,581	(3,436)	2,752	17,598
Machinery and equipment	109,070	18,462	(255)	2,854	-	-	130,131
Vehicles	18,617	10,593	(4,686)	94	-	-	24,618
Furniture and fixtures	45,789	10,366	(138)	-	-	-	56,017
Leasehold improvements	51,394	18,027	(1,833)	-	-	-	67,588
Construction in progress	-	8,615	-	(8,581)	-	-	34
Advances given	1,279	6,266	-	(2,948)	-	-	4,597
	<b>239,267</b>	<b>79,237</b>	<b>(6,912)</b>	<b>-</b>	<b>(3,436)</b>	<b>7,741</b>	<b>315,897</b>
<b>Accumulated depreciation</b>							
Land improvements	164	17	-	-	-	-	181
Building	2,999	437	-	-	(3,436)	-	-
Machinery and equipment	63,062	10,280	(86)	-	-	-	73,256
Vehicles	7,446	3,777	(2,405)	-	-	-	8,818
Furniture and fixtures	31,642	6,192	(94)	-	-	-	37,740
Leasehold improvements	21,191	5,404	(869)	-	-	-	25,726
	<b>126,504</b>	<b>26,107</b>	<b>(3,454)</b>	<b>-</b>	<b>(3,436)</b>	<b>-</b>	<b>145,721</b>
<b>Net book value</b>	<b>112,763</b>						<b>170,176</b>
	December 31, 2004	Additions	Disposals	Transfers			December 31, 2005
<b>Cost or revalued amount</b>							
Land	3,712	280	(156)	-	-	-	3,836
Land improvements	180	-	-	-	-	-	180
Building	9,102	-	-	-	-	-	9,102
Machinery and equipment	100,728	5,025	(607)	3,924	-	-	109,070
Vehicles	17,483	4,309	(3,175)	-	-	-	18,617
Furniture and fixtures	42,076	3,858	(145)	-	-	-	45,789
Leasehold improvements	44,515	8,406	(1,527)	-	-	-	51,394
Advances given	644	4,559	-	(3,924)	-	-	1,279
	<b>218,440</b>	<b>26,437</b>	<b>(5,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,267</b>
<b>Accumulated depreciation</b>							
Land improvements	152	12	-	-	-	-	164
Building	2,627	372	-	-	-	-	2,999
Machinery and equipment	53,438	9,947	(323)	-	-	-	63,062
Vehicles	6,197	3,438	(2,189)	-	-	-	7,446
Furniture and fixtures	25,837	5,826	(21)	-	-	-	31,642
Leasehold improvements	17,452	4,676	(937)	-	-	-	21,191
	<b>105,703</b>	<b>24,271</b>	<b>(3,470)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,504</b>
<b>Net book value</b>	<b>112,737</b>						<b>112,763</b>

The land and building in Samandira were revalued based on independent valuation performed in 2002. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the equity.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)**

A second revaluation was made for the land and the buildings by independent valuers licensed by the CMB in January 2007. The valuation was made on the basis of the market value in YTL as of December 31, 2006. Accumulated depreciation of the revalued land and building has been eliminated against the gross carrying amounts of related assets as of December 31, 2006 and the net amount is restated to the revalued amount. The resulting surplus net of deferred income tax was credited to revaluation surplus in the equity.

The revaluation surplus is not available for distribution to shareholders.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts of land and building that would have been included in the financial statements as of December 31, 2006 and December 31, 2005 respectively are as follows:

	<b>Land and buildings</b>	
	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Cost	6,959	6,959
Accumulated depreciation	(2,358)	(2,086)

Movements of the revaluation reserve of land and buildings are as follows:

<b>December 31, 2005</b>	<b>5,316</b>
The effect of change in tax rate	519
Revaluation Surplus (Net of Tax)	6,941
<b>December 31, 2006</b>	<b>12,776</b>

As of December 31, 2006 and December 31, 2005, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Furniture and fixtures	21,562	17,223
Machinery and equipment	29,592	21,497
Intangibles and leasehold improvements	8,293	4,673
Vehicles	1,082	1,044
Land improvements	123	119
	<b>60,652</b>	<b>44,556</b>

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 8. Intangibles

The movements of intangibles and related accumulated amortization for the years ended December 31, 2006 and 2005 are as follows:

	December 31, 2004			December 31, 2005			December 31 2006
	Additions	Disposals		Additions	Disposals		
Cost							
Software licenses	3,799	735	(7)	4,527	281	(2)	4,806
Other intangibles	452	-	(109)	343	-	-	343
	<b>4,251</b>	<b>735</b>	<b>(116)</b>	<b>4,870</b>	<b>281</b>	<b>(2)</b>	<b>5,149</b>
<b>Accumulated amortization</b>							
Software licenses	2,214	712	-	2,926	583	-	3,509
Other intangibles	444	1	(109)	336	1	-	337
	<b>2,658</b>	<b>713</b>	<b>(109)</b>	<b>3,262</b>	<b>584</b>	<b>-</b>	<b>3,846</b>
<b>Net book value</b>	<b>1,593</b>			<b>1,608</b>			<b>1,303</b>

The estimated useful lives of intangibles are 5 years.

### 9. Related Party Balances and Transactions

The balances with related parties at December 31, 2006 and 2005 are as follows:

#### Balances

	December 31, 2006	December 31, 2005
Ak Gıda A.Ş. (Ak Gıda) (1)	21.566	17.099
Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (1)	8.040	6.168
Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (1)	5.664	2.110
Taptaze Gıda San. Ve Tic. A.Ş. (1)	3.386	-
Noble Pazarlama Satış ve Dağıtım A.Ş. (Noble) (1)	1.814	2.153
Plas Plastik ve Ambalaj Sanayi ve Ticaret Ltd. Şti. (Plas Plastik) (1)	1.754	461
Pak Kağıtçılık San. ve Tic. A.Ş. (Pak Kağıtçılık) (1)	1.309	802
Baharsu San. Ve Tic. A.Ş. (Baharsu) (1)	1.094	614
ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (1)	917	427
ELK Elektrik ve Elektronik ev Aletleri (ELK) (1)	439	143
ZTH Zincir Mağazalar Tedarik Hizmetleri (ZTH) (2)	129	51
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1)	48	-
Seher Gıda Paz. San. Ve Tic. A.Ş. (Seher) (1)	19	58
	<b>46,179</b>	<b>30,086</b>

(1) Companies owned by Shareholders,

(2) Companies owned by the members of the Board of Directors,

As of December 31, 2006, the Company has dividends payable to its shareholders amounting to YTL 367, which is included in other payables and accrued liabilities (Notes 10 and 21) (December 31, 2005 - nil).

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)****9. Related Party Balances and Transactions****Transactions**

For the years ended December 31, 2006 and 2005, summary of the major transactions with related parties are as follows:

a) Major purchases from related parties in the normal course of business are as follows:

	<b>2006</b>	<b>2005</b>
Ak Gıda (1)	162,468	137,530
Nimet (1)	64,636	45,257
Ahsen (1)	22,393	13,454
Pak Kağıtçılık (1)	21,475	16,807
Noble (1)	21,383	20,851
ZTH (2)	16,759	-
Plas Plastik (1)	12,559	11,498
Oyaş Gıda (1)	10,706	7,167
Taptaze (1)	8,983	-
Natura (1)	7,666	5,003
ELK (1)	7,519	2,601
ETM (1)	3,698	366
Bahariye Tekstil Sanayi ve Ticaret A.Ş. (1)	2,597	2,184
Nice Ticaret (1)	579	585
Seher (1)	470	764
Others	-	69
	<b>363,891</b>	<b>264,136</b>

(b) Commission expenses paid to the related parties are as follows:

	<b>2006</b>	<b>2005</b>
ZTH (2)	-	694

(1) Companies owned by Shareholders.

(2) Companies owned by the members of Board of Directors.

(c) For the years ended December 31, 2006 and 2005, bonus and payroll expenses of the board members and key management personnel amounted to YTL 6,367 (33 persons) and YTL 11,887 (32 persons) (including the bonus payment for senior management amounting to YTL 5,858) respectively.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 10. Other Payables and Accrued Liabilities

	December 31, 2005	December 31, 2006
Payroll withholdings, social security taxes and other taxes	10,057	7,614
VAT payable	370	1,222
Other (Notes 9 and 21)	2,914 (*)	1,090
	<b>13,341</b>	<b>9,926</b>

(\*) The Company has issued notes payable amounting to YTL 1,800 for the purchase of a land in Kayseri. Other liabilities include short term portion of this amount which is YTL 1,100. Other non-current liabilities consist of long term portion which amounted to YTL 700 and will mature in 2008.

### 11. Taxes

#### General Information

In Turkey, the corporation tax rate for the fiscal year ending December 31, 2005 was 30%. Effective from January 1, 2006 the corporate tax rate was reduced to 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2005 - 30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, the statutory financial statements from which taxable income is derived are adjusted for inflation. Accumulated earnings arising from the first application of inflation accounting on the December 31, 2003 balance sheet are not subject to corporation tax, and similarly accumulated deficits arising from such application are not deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related to 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. The Ministry of finance ceased the inflation accounting in statutory books of accounts effective from January 1, 2005.

The Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from January 1, 2006, the Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them.

Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 will be subject to investment incentive until the end of December 31, 2008. As the Company does not have qualifying capital investments to deduct from corporate income, the corporate tax rate that will be applied to the Company is 20%.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.



**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)****Tax Reconciliation**

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended December 31, is as follows:

	2006	2005
Net income before tax	86,428	43,119
Income tax at 20% (December 31, 2005 - 30%)	(17,286)	(12,936)
The effect of change in tax rate	3,191	-
Effect of non tax deductible and tax exempt items, net	(553)	(1,361)
Investment incentives used in the current year	-	1,359
<b>Provision for taxes</b>	<b>(14,648)</b>	<b>(12,938)</b>
- current	(17,763)	(11,673)
- deferred	3,115	(1,265)

**Deferred income tax**

Deferred income taxes at December 31, 2006 and 2005 relate to the following:

	Balance Sheet		Income Statement and Revaluation Surplus	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
<b>Deferred tax liability</b>				
Restatement effect on non-monetary items	10,207	13,072	(2,865)	(1,016)
<b>Deferred tax asset</b>	-	-	-	-
Reserve for long term defined employee benefit plan	(861)	(972)	111	231
Others	(705)	(625)	(80)	(16)
	<b>8,641</b>	<b>11,475</b>	<b>(2,834)</b>	<b>(801)</b>

Deferred tax income, including monetary gain

Movement of net deferred tax liability is presented as follows:

	2006	2005
Balance at January 1	11,475	10,674
Deferred tax (credit) / charge recognized in income statement	(3,115)	1,265
Deferred tax credit recognized in revaluation surplus (Note 7)	281	-
Monetary gain	-	(464)
<b>Balance at the end of year</b>	<b>8,641</b>	<b>11,475</b>

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 12. Long-term Defined Employee Benefit Plan

In accordance with existing social legislation, 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. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of historical YTL 1,857 and YTL 1,727 at December 31, 2006 and December 31, 2005, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. The cost of providing those benefits is accrued over the employees' service period. The Company accounts for the employee termination benefits in accordance with the provisions of IAS 19 including the application of actuarial methods and assumptions by professional actuaries. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10% of the present value of defined benefit obligations, in accordance with the valuation made by the qualified actuaries. Actuarial gains and losses are recognized over the average remaining working lives of the employees.

As of January 1, 2007, the annual ceiling for employee termination benefits increased to YTL 1,961.

The principal actuarial assumptions used at each balance sheet dates are as follows:

	2006	2005
Discount rate	6.5%	6.5%
Expected rate of salary/limit increases	4%	4%

The following tables summarize the components of net benefit expense recognized in the income statement and amounts recognized in the balance sheet:

	2006	2005
Current service cost	1,398	1,060
Financial expense of long-term defined employee benefit plan	328	227
Actuarial loss recognized in the year	90	50
<b>Net benefit expense</b>	<b>1,816</b>	<b>1,337</b>

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)**

Benefit Liability:

	2006	2005
Defined benefit obligation	7,036	5,092
Unrecognized actuarial losses	(2,729)	(1,853)
<b>Benefit liability</b>	<b>4,307</b>	<b>3,239</b>

Changes in the present value of defined benefit obligation are as follows:

	2006	2005
Defined benefit obligation at January 1	5,092	3,600
Financial expense of long-term defined employee benefit plan	328	227
Current service cost	1,398	1,060
Benefits paid	(748)	(449)
Actuarial gains on obligation	966	832
Monetary gain	-	(178)
<b>Defined benefit obligation at December 31</b>	<b>7,036</b>	<b>5,092</b>

**13. Share Capital**

As of December 31, 2006 and 2005, the Company's paid in share capital was YTL 25,300 (historical terms) comprising 25,300,000 shares of YTL 1 nominal value each. Each shareholder has voting rights equivalent to their number of shares.

As of December 31, 2006 and 2005, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

	December 31, 2006		December 31, 2005	
	Historical Amount	%	Historical Amount	%
Mustafa Latif Topbaş	5,564	22.0	6,703	26.5
Abdulrahman A. El Khereiji	4,952	19.6	5,205	20.6
Ahmet Afif Topbaş	1,139	4.5	-	-
Zuhair Fayez	998	3.9	1,301	5.1
İbrahim Halit Çizmecı	665	2.6	745	2.9
Dieter Brandes	-	-	1	-
Gregson Limited	-	-	182	0.7
Publicly held	11,982	47.4	11,163	44.2
	<b>25,300</b>	<b>100.0</b>	<b>25,300</b>	<b>100.0</b>
Effect of restatement	8,421		8,421	
<b>Total</b>	<b>33,721</b>		<b>33,721</b>	

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 14. Risk Management Policy

The Company's principal financial instruments comprise cash, short-term deposits, trade receivables and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial instruments such as trade debtors and creditors which arise directly from its operations.

Since the Company is engaged in the retail sector and transactions are mainly on a cash basis, the exposure to credit and price risk is minimal.

Considering that the foreign currency denominated assets and liabilities are not material, the Company does not enter into derivative or hedging transactions to mitigate its exposure to foreign exchange risk.

### 15. Cost of Sales

Cost of sales for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Beginning inventory	98,428	82,063
Purchases	1,875,074	1,407,050
Ending inventory	(138,524)	(98,428)
	<b>1,834,978</b>	<b>1,390,685</b>

### 16. Selling and Marketing Expenses

The breakdown of selling and marketing expenses for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Personnel expenses	105,204	83,605
Rental expenses	62,987	50,527
Depreciation and amortization expenses	23,755	21,485
Water, electricity and communication expenses	17,852	15,712
Packaging expenses	14,588	11,133
Maintenance and repair expenses	7,688	4,873
Advertising expenses	6,491	4,633
IT expenses	1,394	1,257
Provision for employee termination benefits	1,208	875
Other	19,986	18,937
	<b>261,153</b>	<b>213,037</b>

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)****17. General and Administrative Expenses**

The breakdown of general and administrative expenses for the years ended December 31, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Personnel expenses	25,589	22,265
Advertising expenses	3,867	3,172
Depreciation and amortization expenses	2,936	3,499
Money collection expenses	2,252	1,164
Motor vehicle expenses	2,240	1,962
Legal and consultancy expenses	1,247	1,133
Water, electricity and communication expenses	963	961
Office supplies expenses	336	281
Provision for employee termination benefits	280	235
Other	7,593	5,505
	<b>47,303</b>	<b>40,177</b>

**18. Personnel Expenses**

	<b>2006</b>	<b>2005</b>
Staff costs		
Wages and salaries	110,239	89,194
Provision for employee termination benefits	1,488	1,110
Cost of defined contribution plan (employer's share of social security premiums)	20,554	16,676
	<b>132,281</b>	<b>106,980</b>

Average number of employees for the years ended December 31, 2006 and 2005 is 7,903 and 6,667, respectively.

**19. Financial Income and Expense**

Financial income for the years ended December 31, 2006 and 2005 can be summarized as follows:

	<b>2006</b>	<b>2005</b>
Income from deposits	6,689	885
Foreign exchange gains	338	709
	<b>7,027</b>	<b>1,594</b>

Financial expenses for the years ended December 31, 2006 and 2005 can be summarized as follows:

	<b>2006</b>	<b>2005</b>
Financial expense of long-term defined employee benefit plan	328	227
Foreign exchange losses	247	553
Other financial expense	39	59
	<b>614</b>	<b>839</b>

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 20. Other Income / (Expense), net

The breakdown of other income / (expense), net for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Expenses related to Initial Public Offering	-	(11,619)
Gain on sale of scrap materials	2,216	1,759
Gain/(loss) on sale of property and equipment and intangibles	(1,018)	114
Other income/(expense), net	635	(377)
	<b>1,833</b>	<b>(10,123)</b>

### 21. Earnings Per Share

Basic earnings per share (EPS) are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the year. The basic EPS for the years ended December 31, 2006 and 2005 are 2.837 (full YTL) and 1.193 (full YTL), respectively. There are no dilutive instruments outstanding hence fully diluted earnings per share are the same.

There has not been any change to paid in share capital and the number of shares outstanding during the periods ended December 31, 2006 and during the year ended December 31, 2005.

In 2006, the Company has made a dividend distribution to its shareholders amounting to YTL 25,300 (full YTL 1.000 per share) out of its net profit for the year ended December 31, 2005. As of December 31, 2006, YTL 367 of dividend has not been paid (Notes 9 and 10).

### 22. Legal Reserves and Retained Earnings

#### Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code (TCC). 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 restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's restated share capital.

Companies whose shares are quoted on the Istanbul Stock Exchange Market (ISEM) perform their dividend appropriation in accordance with the Turkish Capital Market Board regulations.

**BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2006****(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)**

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

As of December 31, 2006 and 2005, extraordinary reserves, legal reserves and net profit for the year (as per the statutory financial statements of the Company) are as follows (YTL):

	December 31, 2006	December 31, 2005
Extraordinary reserves	941	-
Legal reserves	6,953	3,042
Net profit for the year	69,152	30,152

**23. Contingencies and Commitments**

(i) As of December 31, 2006 and 2005, the total amount of outstanding lawsuits filed against the Company is YTL 441 and YTL 279 in historical terms, respectively, which is recorded as provision and presented in other payables and accrued liabilities.

(ii) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 515 at December 31, 2006 and YTL 533 at December 31, 2005, in historical terms.

(iii) As of December 31, 2006 the Company has operating lease commitments for each of the following periods:

	Thousands of YTL
Not later than one year	416
Later than one year and not later than five years	2,249
Later than five years	24

(iv) As of December 31, 2006 the Company has letters of guarantee amounting to YTL 1,671 received from its supplier firms (December 31, 2005 - YTL 2,196).

(vi) As of December 31, 2006 the total amount of the mortgages obtained from the supplier firms is YTL 12,535 (December 31, 2005 - YTL 10,704).

(vii) The tax and other government authorities (Social Security Institution) have the right to inspect the Company's tax returns and accounting records for the past five fiscal years. The Company has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of certainty. The Company's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2006

(Currency - Thousands of New Turkish Lira [YTL] unless otherwise indicated)

### 24. Foreign Currency Denominated Assets and Liabilities

As of December 31, 2006 and December 31, 2005, the foreign currency position of the Company is summarized below:

	December 31, 2006						
	USD	Thousands of YTL Equivalent	EUR	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
	Total foreign currency denominated assets	164.708	232	122.155	226	1.608	5
Total foreign currency denominated liabilities	98.658	139	-	-	-	-	139
<b>Net foreign currency position</b>		<b>93</b>		<b>226</b>		<b>5</b>	<b>324</b>

	December 31, 2005						
	USD	Thousands of YTL Equivalent	EUR	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
	Total foreign currency denominated assets	746,731	1,002	758,437	1,204	1,548	4
Total foreign currency denominated liabilities	29,270	39	-	-	-	-	39
<b>Net foreign currency position</b>		<b>963</b>		<b>1,204</b>		<b>4</b>	<b>2,171</b>

### 25. Subsequent Events

- On February 2, 2007, the Company has purchased land of 40,200 m<sup>2</sup> to construct a warehouse in Aydın for YTL 975 thousand.
- On February 9, 2007, Abdulrahman A. El Khereji, a shareholder of the Company, has applied to register his shares with a total nominal value of YTL 100 thousand for sale in ISE in six months. The announced sale represents 0.4% of the share capital.





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