

**BİM Birleşik Mağazalar
Anonim Şirketi**

**Financial Statements
Together With
Report of Independent Auditors
December 31, 2005**

BİM BİRLEŞİK MAĞAZALAR A.Ş.

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1
Balance Sheet	2
Statement of Income	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 29

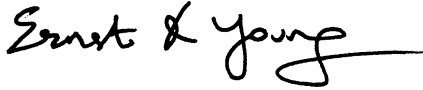
REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
BİM Birleşik Mağazalar Anonim Şirketi

We have audited the accompanying financial statements of BİM Birleşik Mağazalar Anonim Şirketi (the Company) which comprise the balance sheet as of December 31, 2005 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



March 9, 2006
Istanbul, Turkey

BİM Birleşik Mağazalar Anonim Şirketi

BALANCE SHEET

As at December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)

ASSETS

	Notes	2005	2004
Current assets			
Cash and cash equivalents	3, 24	60,335	17,511
Trade receivables, net	4,9, 24	41,682	36,608
Inventories, net	5, 9	105,632	92,957
Prepayments and other current assets	6, 9	4,439	2,293
Total current assets		212,088	149,369
Property and equipment, net	7	112,763	112,737
Intangibles, net	8	1,608	1,593
Other non-current assets		605	514
Total non-current assets		114,976	114,844
Total assets		327,064	264,213

LIABILITIES AND EQUITY

Current liabilities

Trade payables, net	9	202,512	154,933
Income tax payable	11	4,397	2,263
Other payables and accrued liabilities	10	9,926	7,490
Total current liabilities		216,835	164,686

Reserve for long-term defined employee benefit plan	12	3,239	2,470
Deferred tax liability	11	11,475	10,674
Total non-current liabilities		14,714	13,144

Equity

Share capital	13	33,721	33,721
Revaluation surplus	7	5,316	5,316
Legal reserves and retained earnings	21	56,478	47,346
Total equity		95,515	86,383

Total liabilities and equity		327,064	264,213
-------------------------------------	--	----------------	---------

The accompanying policies and explanatory notes on pages 6 through 29 form an integral part of the financial statements.

BİM Birleşik Mağazalar Anonim Şirketi**STATEMENT OF INCOME****For the year ended December 31, 2005****(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)**

	Notes	2005	2004
Net sales		1,690,960	1,456,477
Cost of sales	9, 15	(1,390,685)	(1,211,086)
Gross profit		300,275	245,391
Selling and marketing expenses	9, 16,18	(213,037)	(186,496)
General and administrative expenses	9, 17,18	(40,177)	(37,545)
Other operating expense, net	20	(10,123)	(40)
Financial income, net	9, 19	755	323
Gain on net monetary position		5,426	16,530
Profit before tax		43,119	38,163
Tax charge			
- Current	11	(11,673)	(12,353)
- Deferred	11	(1,265)	(495)
Taxes on income		(12,938)	(12,848)
Net profit		30,181	25,315
Weighted average number of shares (1 YTL par value each)		25,300,000	25,300,000
Basic and fully diluted earnings per share (full YTL)	21	1.193	1.001

The accompanying policies and explanatory notes on 6 through 29 form an integral part of the financial statements.

BİM Birleşik Mağazalar Anonim Şirketi**STATEMENT OF CHANGES IN EQUITY****For the year ended December 31, 2005****(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)**

	Share Capital	Revaluation Surplus	Legal Reserves	Retained Earnings	Total
At January 1, 2004	33,721	5,316	-	22,031	61,068
Net profit for the year	-	-	-	25,315	25,315
At December 31, 2004	33,721	5,316	-	47,346	86,383
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
At December 31, 2005	33,721	5,316	3,042	53,436	95,515

The accompanying policies and explanatory notes on pages 6 through 29 form an integral part of the financial statements.

BİM Birleşik Mağazalar Anonim Şirketi**STATEMENT OF CASH FLOWS****For the year ended December 31, 2005****(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005)**

	Notes	2005	2004
Cash flows from operating activities			
Net income before monetary gain and tax charge		37,693	21,633
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortisation	7, 8	24,984	24,038
Reserve for long-term defined employee benefit plan	12, 16, 17, 18	661	767
Interest expense	12, 19	227	155
Interest income	19	(885)	(113)
Loss/(gain) on sale of property and equipment and intangibles	7, 8, 20	(114)	443
		62,566	46,923
Changes in working capital			
Trade receivables	4, 9	(6,748)	(18,646)
Inventories	5	(12,675)	(22,707)
Prepayments and other current, non-current assets and other payables and accrued liabilities	6, 10	407	3,954
Trade payables	9	54,988	37,492
Interest received	19	885	113
Taxes paid	11	(9,539)	(10,090)
Interest paid		-	(8)
Net cash generated by operating activities		89,884	37,031
Cash flows from investing activities:			
Purchase of property and equipment and intangibles	7, 8	(27,172)	(35,908)
Proceeds from sale of property and equipment and intangibles	7, 8	2,271	2,248
Net cash used in investing activities		(24,901)	(33,660)
Cash flows from financing activities:			
Dividends paid	21	(21,049)	-
Net cash used in financing activities		(21,049)	-
Net effect of monetary loss on cash and cash transactions		(1,110)	(2,718)
Increase in cash and cash equivalents	3	42,824	653
Cash and cash equivalents at the beginning of the year	3	17,511	16,858
Cash and cash equivalents at the end of the year	3	60,335	17,511

The accompanying policies and explanatory notes on pages 6 through 29 form an integral part of the financial statements.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 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, İstanbul.

The financial statements prepared in accordance with International Financial Reporting Standards (IFRS) were authorized for issue on March 9, 2006 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, 2005, the Company operated through 13 warehouses (2004 - 13) in various cities. As of December 31, 2005, the number of stores is 1,194 (2004 - 1,075).

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) (December 31, 2004 - TL) 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, deferred taxation, employee termination benefits and accounting for leasing transactions.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.2 Changes in Accounting Policies

Effective January 1, 2005, the following represent the revised International Accounting Standards and other new standards in the IFRS series:

- IAS 1 “Presentation of Financial Statements,”
- IAS 2 “Inventories,”
- IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,”
- IAS 10 “Events after the Balance Sheet Date,”
- IAS 16 “Property, Plant and Equipment,”
- IAS 17 “Leases,”
- IAS 21 “The Effects of Changes in Foreign Exchange Rates,”
- IAS 24 “Related Party Disclosures,”
- IAS 27 “Consolidated and Separate Financial Statements,”
- IAS 28 “Investments in Associates,”
- IAS 31 “Interests in Joint Ventures,”
- IAS 32 “Financial Instruments: Disclosures and Presentations”
- IAS 33 “Earnings per Share,” and
- IAS 39 “Financial Instruments: Recognition and Measurement”
- IAS 40 “Investment Property.”
- IFRS 2 “Share-based payment”
- IFRS 4 “Insurance Contracts”
- IFRS 5 “Non-current assets held for sale and discontinued operations”

There was no impact on opening retained earnings of the Company at January 1, 2005 from the adoption of any of the above mentioned standards.

IFRSs and IFRIC Interpretations Not Yet Effective

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 6 “Exploration for and Evaluation of Mineral Resources”- This Standard does not apply to the activities of the Company.

IFRS 7 “Financial Instruments-Disclosures”- This Standard supersedes IAS 30 and disclosure requirements of IAS 32 and is effective for annual periods beginning on or after January 1, 2007.

IFRIC 4 “Determining Whether an Arrangement Contains a Lease”- This Interpretation is required to be applied for annual periods beginning on or after January 1, 2006 but is not expected to be relevant for the activities of the Company.

IFRIC 5 “Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”- This Interpretation is required to be applied for annual periods beginning on or after January 1, 2006 but is not expected to be relevant for the activities of the Company.

The Company expects that adoption of the pronouncements listed above will have no impact on the Company’s financial statements in the period of initial application other than presentation of additional disclosures on financial instruments as required by IFRS 7.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

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.

Estimation

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts liabilities within the next financial year is discussed below:

Employee termination benefits:

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Company uses independent actuaries and also makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2005 is YTL 3,239 (2004 - YTL 2,470).

2.4 Functional and Presentation Currency

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted on December 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), as the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 throughout the one year period until complete phase-out of TL. The Company's functional and presentation currency is YTL and financial statements including comparative figures for the prior year are also presented in thousands of YTL.

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%. Although as of December 31, 2005, the three-year cumulative rate has been 35.6% (December 31, 2004 - 69.7%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics, considering the economic characteristics indicated above, IAS 29 is continued to be applied in the preparation of the current period financial statements until the positive trends are confirmed as "other than temporary". This is also consistent with the conclusion of the Internal Practices Task Force of American Institute of Certified Public Accountants (AICPA) for reporting purposes under generally accepted accounting principles in the United States of America. Based on the current trends and developments, Turkey will come of hyperinflationary status effective from January 1, 2006.

Index and conversion factors for the three-year period ended December 31, 2005 are provided below:

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.4 Functional and Presentation Currency (continued)

Dates	Index	Conversion Factors
December 31, 2002	6,478.8	1.3561
December 31, 2003	7,382.1	1.1901
December 31, 2004	8,403.8	1.0454
December 31, 2005	8,785.7	1.0000

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

- the financial statements of the prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2005.
- monetary assets and liabilities reported in the balance sheet as of December 31, 2005 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions from the date they were contributed.
- 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.
- the effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss).
- all items in the income statement are restated by applying appropriate month end conversion factors with the exception of depreciation, amortisation, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortisation).

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.

2.5 Summary of Significant Accounting Policies

Cash and Cash Equivalents

For the purposes of the cash flows statement, 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 maturities of three months or less.

Trade Receivables

Trade receivables, which generally have an average of 9 day term (2004 - 9 day) 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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 is 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:

	<u>Years</u>
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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 is 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 asset with indefinite useful lives are not amortised, 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 fulfilment 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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

Finance Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

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); or
- (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 47 day (2004 – 44 day) term 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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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.

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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 interest rate estimate of qualified actuaries.

(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 period/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 respective year-ends are as follows:

Dates	USD / YTL (full)	EUR / YTL (full)
December 31, 2004	1.3421	1.8268
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.

Interest income

Revenue is recognised as interest accrues.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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-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-end events that are not adjusting events are disclosed in the notes when material.

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, and 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-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 Recivables

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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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.

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 a single geographic location, there is no basis for segment reporting.

3. Cash and Cash Equivalents

	2005	2004
Cash at banks (time deposits)	31,574	-
Cash at banks (demand deposits)	8,915	5,911
Cash on hand	11,112	8,377
Cash in transit	8,734	3,223
	60,335	17,511

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

4. Trade Receivables

	2005	2004
Credit card receivables	40,911	35,217
Trade receivables	967	471
Advances given	308	1,064
Other receivables	178	217
Provision for doubtful receivables	(682)	(361)
	41,682	36,608

As of December 31, 2005 and 2004, the average term of trade receivables is 9 days.

5. Inventories

	2005	2004
Trade goods	98,428	82,063
Advances given	6,666	10,248
Other stocks	538	646
	105,632	92,957

6. Prepayments and Other Current Assets

As of December 31, 2005, prepayments and other current assets mainly include prepaid rent, prepaid insurance premiums and due from personnel amounting to YTL 4,439 (2004 - YTL 2,293).

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 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, 2005 and 2004 are as follows:

	2004	Additions	Disposals	Transfers	2005
Cost or revalued amount					
Land	10,896	280	(156)	-	11,020
Land improvements	180	-	-	-	180
Building	10,442	-	-	-	10,442
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
	226,964	26,437	(5,610)	-	247,791
Accumulated depreciation					
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
	105,703	24,271	(3,470)	-	126,504
Reserve for impairment of land and building	(8,524)	-	-	-	(8,524)
Net book value	112,737				112,763
	2003	Additions	Disposals	Transfers	2004
Cost or revalued amount					
Land	10,896	-	-	-	10,896
Land improvements	180	-	-	-	180
Building	10,442	-	-	-	10,442
Machinery and equipment	86,646	12,214	(172)	2,040	100,728
Vehicles	14,617	6,143	(3,277)	-	17,483
Furniture and fixtures	35,974	6,338	(79)	(157)	42,076
Leasehold improvements	37,339	8,248	(1,072)	-	44,515
Advances given	1,108	2,088	(669)	(1,883)	644
	197,202	35,031	(5,269)	-	226,964
Accumulated depreciation					
Land improvements	136	16	-	-	152
Building	2,255	372	-	-	2,627
Machinery and equipment	43,724	9,753	(39)	-	53,438
Vehicles	5,049	3,227	(2,079)	-	6,197
Furniture and fixtures	19,897	5,991	(51)	-	25,837
Leasehold improvements	13,789	4,072	(409)	-	17,452
	84,850	23,431	(2,578)	-	105,703
Reserve for impairment of land and building	(8,524)	-	-	-	(8,524)
Net book value	103,828				112,737

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

7. Property and Equipment (continued)

Land and building are carried at revalued amounts based on an independent valuation performed in 2002. Valuations for those assets were made in U.S. Dollars on the basis of market value for existing use. 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 shareholders' equity. Revaluation surplus is not available for distribution to shareholders.

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

	Land and buildings	
	2005	2004
Cost	6,959	6,959
Accumulated depreciation	(2,086)	(1,882)

As of December 31, 2005 and 2004, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	2005	2004
Furniture and fixtures	17,223	12,825
Machinery and equipment	859	327
Leased assets	20,638	12,437
Intangibles	4,673	2,238
Vehicles	1,044	1,429
Land improvements	119	119
	44,556	29,375

8. Intangibles

The movements of intangibles and related accumulated amortisation for the years ended December 31, 2005 and 2004 are as follows:

	2003	Additions	2004	Additions	Disposals	2005
Cost						
Software rights	2,929	870	3,799	735	(7)	4,527
Other intangibles	445	7	452	-	(109)	343
	3,374	877	4,251	735	(116)	4,870
Accumulated amortization						
Software rights	1,607	607	2,214	712	-	2,926
Other intangibles	444	-	444	1	(109)	336
	2,051	607	2,658	713	(109)	3,262
Net book value	1,323		1,593			1,608

The estimated useful lives of intangibles is 5 years. Rights mainly comprise software licences.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

9. Related Party Balances and Transactions

The balances with related parties at December 31, 2005 and 2004 and a summary of the major transactions with them during the years ended December 31, 2005 and 2004 were as follows:

Balances

- (a) As of December 31, 2005 and 2004, the Company has advances given related to the inventory purchases from Teksu Ticaret A.Ş., included in inventories, (1) amounting to YTL 347 and YTL 559, respectively.
- (b) Amounts due to related parties arising from the purchase of goods, which are included in trade payables comprise the following balances:

	2005	2004
Ak Gıda A.Ş. (Ak Gıda) (1)	17,313	8,484
Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (1)	6,245	3,567
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. (Biskot) (1)	4,085	4,053
Noble Pazarlama Satış ve Dağıtım (Noble) (1)	2,180	1,593
Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (1)	2,136	2,790
Pak Kağıtçılık San. ve Tic. A.Ş. (Pak Kağıtçılık) (1)	812	-
Oyaş Okyanus Gıda Yatırım Sanayi A.Ş. (Oyaş Gıda) (1)	622	501
Çizmeci Gıda Sanayi ve Ticaret A.Ş. (Çizmeci) (1)	591	254
Plas Plastik ve Ambalaj Sanayi (Plas Plastik) (1)	466	1,853
ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (1)	431	-
ZTH Zincir Mağazalar Tedarik Hizmetleri (ZTH) (2)	52	-
Teksu Ticaret A.Ş. (1)	38	22
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1)	-	13
Nice İç ve Dış Ticaret Limited Şirketi (Nice Ticaret) (1)	-	143
Others	-	2
	34,971	23,275

(1) Companies owned by Shareholders.

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

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

9. Related Party Balances and Transactions (continued)

Transactions

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

	2005	2004
Ak Gıda (1)	139,277	123,879
Nimet (1)	45,832	36,592
Biskot (1)	19,947	17,474
Noble (1)	21,116	11,746
Pak Kağıtçılık (1)	17,020	-
Ahsen (1)	13,625	25,151
Plas Plastik (1)	11,644	11,356
Oyaş Gıda (1)	7,258	8,689
Natura (1)	5,067	3,401
Teksu Ticaret A.Ş. (1)	1,905	3,712
Çizmeci (1)	1,702	2,008
Nice Ticaret (1)	592	134
Bahariye Tekstil Sanayi ve Ticaret A.Ş. (1)	2,212	608
ETM (1)	371	-
Sağlıklı Gıda Ürünleri Sanayi ve Ticaret A.Ş. (2)	-	4,819
Others	70	2,195
	287,638	251,764

b) Consultancy services provided by related parties are as follows:

	2005	2004
ZTH Zincir Mağazalar Tedarik Hizmetleri (2) (*)	694	637

(*) Consultancy services given to the Company in suppliers' management.

(1) Companies owned by Shareholders

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

(c) For the year ended December 31, 2005, the Company received consultancy services amounting to YTL 142 (2004 – YTL 158) from Dieter Brandes (shareholder).

(d) For the years ended December 31, 2005 and 2004, bonus and payroll expenses of the board members and key management personnel amounted to YTL 11,887 (including the one-time payment amounting to YTL 5,858 see Note 20) and YTL 5,621, respectively.

10. Other Payables and Accrued Liabilities

	2005	2004
Payroll withholdings and social security taxes	7,614	4,649
VAT payable	1,222	1,683
Other	1,090	1,158
	9,926	7,490

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

11. Taxes

General Information

In Turkey, the corporation tax rate for the fiscal year ended December 31, 2005 is 30% (2004 - 33%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 30% (2004 - 33%) 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, taxable income is derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet is 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 with 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.

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.

Effective from April 24, 2003, investment allowances provide for a deduction from the corporate tax base of 40% of the purchase price of brand-new fixed assets exceeding YTL 10,000 (2004 - YTL 6,000) and directly related with the production of goods and services. Investment allowances that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely with indexed amounts.

10% withholding tax applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividends through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to withholding tax. Furthermore, in the event the profit is not distributed or included in equity, no withholding tax shall be applicable.

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:

	2005	2004
Net income before tax	43,119	38,163
Income tax at 30% (2004 - 33%)	(12,936)	(12,594)
Effect of non tax deductible and tax exempt items, net	(1,361)	(254)
Investment incentives used in the current year	1,359	-
Provision for taxes	(12,938)	(12,848)
- current	(11,673)	(12,353)
- deferred	(1,265)	(495)

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

11. Taxes (continued)

Deferred income tax

Deferred income taxes at December 31, 2005 and 2004 relate to the following:

	Balance Sheet		Income Statement	
	2005	2004	2005	2004
<i>Deferred tax liability</i>				
Restatement effect on non-monetary items	13,474	12,458	(1,016)	914
<i>Deferred tax asset</i>				
Reserve for long term defined employee benefit plan	(972)	(741)	231	209
Tax loss carryforwards	-	-	-	(284)
Fair value decrease on building	(402)	(402)	-	-
Others	(625)	(641)	(16)	72
	<u>11,475</u>	<u>10,674</u>		
Deferred tax income/(expense), including monetary gain			<u>(801)</u>	<u>911</u>

Movement of net deferred tax liability is presented as follows:

	2005	2004
Balance at January 1	10,674	11,585
Deferred tax charge recognized in income statement	1,265	495
Monetary gain	(464)	(1,406)
Balance at the end of period/year	<u>11,475</u>	<u>10,674</u>

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 1.727 YTL 1.575 (historical YTL) at December 31, 2005 and 2004, 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, 2006, the annual ceiling for employee termination benefits increased to YTL 1,771.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

12. Long-term Defined Employee Benefit Plan (continued)

Movements in the reserve for employee termination benefits are as follows:

	2005	2004
Beginning balance	2,470	1,771
Actuarial loss	50	32
Interest cost	227	147
Service cost	1,060	735
Payments	(449)	-
Monetary gain	(119)	(215)
Ending balance	3,239	2,470

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

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

13. Share Capital

As of December 31, 2005 and 2004 the Company's paid in share capital was YTL 25,300 (historical terms) comprising 25,300,000 shares of YTL one nominal value each.

As of December 31, 2005 and 2004, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

	2005		2004	
	Historical Amount	%	Historical Amount	%
Mustafa Latif Topbaş	6,703	26.5	6,703	26.5
World Wide LTD.	-	-	6,689	26.4
Merrill Lynch Global Emerging Markets Partners L.P.	-	-	6,325	25.0
Abdulrahman A. El Khereji	5,205	20.6	-	-
BankAmerica International Investment Corporation	-	-	2,530	10.0
Albaraka Türk Özel Finans Kurumu A.Ş.	-	-	1,455	5.8
Zuhair Fayez	1,301	5.1	-	-
İbrahim Halit Çizmeci	745	2.9	745	2.9
Kuveyt Türk Evkaf Finans Kurumu A.Ş.	-	-	600	2.4
Dieter Brandes	1	-	253	1.0
Gregson Limited	182	0.7	-	-
Publicly held	11,163	44.2	-	-
	25,300	100.0	25,300	100.0

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

13. Share Capital (continued)

As of December 31, 2004 the Company's share capital consisted of shares of type A through type G with nominal amount of TL one million each and with each share type having different rights. In connection with the Company's shares being listed on the Istanbul Stock Exchange, the General Assembly at an extraordinary meeting on June 24, 2005 decided to change the Company's Articles of Association to the effect that Company's share capital is divided into 25,300,000 shares with equal rights each having a nominal value of YTL one. Some of the Company's shareholders, namely, Merrill Lynch Global Emerging Markets Partners L.P., Bank America International Investment Corporation, Albaraka Türk Özel Finans Kurumu A.Ş., Kuveyt Türk Evkaf Finans Kurumu A.Ş., and Dieter Brandes have decided to sell their shares with total values of YTL 6,325, YTL 2,530, YTL 1,455, YTL 600 and YTL 252 respectively through the IPO process. Accordingly, 44.2% of the Company's shares that belonged to the above-mentioned shareholders have been sold through the IPO and the Company's shares started trading on the Istanbul Stock Exchange as of July 15, 2005.

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.

The Company's exposure to interest risk is minimal. 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, 2005 and 2004 is as follows:

	2005	2004
Beginning inventory	82,063	64,726
Purchases	1,407,050	1,228,423
Ending inventory	(98,428)	(82,063)
	1,390,685	1,211,086

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

16. Selling and Marketing Expenses

The breakdown of selling and marketing expenses for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Personnel expenses	83,605	71,669
Rental expenses	50,527	44,799
Depreciation and amortisation expenses	21,485	20,913
Water, electricity and communication expenses	15,712	14,382
Packaging expenses	11,133	8,782
Advertising expenses	4,633	3,795
Maintenance and repair expenses	4,873	3,193
IT expenses	1,257	1,920
Provision for employee termination benefits	875	604
Other	18,937	16,439
	213,037	186,496

17. General and Administrative Expenses

The breakdown of general and administrative expenses for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Personnel expenses	22,265	19,595
Depreciation and amortisation expenses	3,499	3,125
Advertising expenses	3,172	3,949
Motor vehicle expenses	1,962	1,635
Money collection expenses	1,164	1,661
Legal and consultancy expenses	1,133	1,306
Water, electricity and communication expenses	961	1,114
Office supplies expenses	281	752
Provision for employee termination benefits	235	162
Other	5,505	4,246
	40,177	37,545

18. Personnel Expenses

	2005	2004
Staff costs		
Wages and salaries	89,194	75,151
Provision for employee termination benefits	1,110	766
Cost of defined contribution plan (employer's share of social security premiums)	16,676	16,113
	106,980	92,030

Average number of employees for the years ended December 31, 2005 and 2004 is 6,667 and 5,762, respectively.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

19. Financial Income, net

Financial income and expenses for the year ended December 31, 2005 and 2004 can be summarized as follows:

	2005	2004
Interest cost of long-term defined employee benefit plan	(227)	(147)
Interest expense relating to finance leases	-	(8)
Income from deposits	861	-
Interest income	24	113
Foreign exchange gains	709	1,889
Foreign exchange losses	(553)	(1,413)
Other financial expense	(59)	(111)
	755	323

20. Other Operating Expense, net

The breakdown of other expense, net for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Expenses related to Initial Public Offering (*)	(11,619)	-
Gain on sale of scrap materials	1,759	1,605
Gain/(loss) on sale of property and equipment and intangibles	114	(443)
Other (expense), net	(377)	(1,202)
	(10,123)	(40)

(*) The amount comprises a one time payment to senior management and other various expenses. The Company has made a one time payment to senior management amounting to YTL 5,858 which was conditioned on the closing of the Initial Public Offering (IPO) and the purchase of shares during the IPO. Remaining YTL 5,761 mainly consists of various expenses such as legal and consultancy expense, advertising expense and other personnel expenses related to IPO process.

21. Earnings Per Share

Basic earnings per share (EPS) are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. The basic EPS for the year ended December 31, 2005 and 2004 are 1.193 (full YTL) and 1.001 (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 years ended December 31, 2005 and during the year ended December 31, 2004.

In 2005 the Company has made a dividend distribution to its shareholders amounting to YTL 21,049 (full YTL 0,832 per share) out of its net profit for the year ended December 31, 2004.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

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.

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

As of December 31, 2005 and 2004, retained earnings / (accumulated deficit) and net profit for the years (as per the statutory financial statements of the Company) are as follows (YTL):

	2005	2004
Retained earnings / (Accumulated deficit)	-	(484)
Legal reserves	3,042	-
Net profit for the year	41,833	23,629

23. Contingencies and Commitments

(i) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 533 at December 31, 2005 and YTL 636 at December 31, 2004, in historical terms.

(ii) As of December 31, 2005 the Company has operating lease commitments for each of the following periods:

		Foreign Currency (full)	Thousands of YTL Equivalent
Not later than one year	EUR	186,883	297
Later than one year and not later than five years	EUR	250,278	397

(iii) As of December 31, 2005 the Company has letters of guarantee amounting to YTL 2,196 received from its supplier firms. (2004 – YTL 2,757 (in historical terms))

(iv) As of December 31, 2005 the total amount of the mortgages obtained from the supplier firms is YTL 10,704 (2004 – YTL 8,844 (in historical terms)).

(v) 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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2005

(Currency – Thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2005 unless otherwise indicated)

24. Foreign Currency Denominated Assets and Liabilities

As of December 31, 2005 and 2004, the foreign currency position of the Company is summarized below:

	2005						
	USD	Thousands of YTL Equivalent	Euro	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	2,210
Total foreign currency denominated liabilities	29,270	39	-	-	-	-	39
Net foreign currency position		963		1,204		4	2,171

	2004						
	USD	Thousands of YTL Equivalent	Euro	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	3,604,381	5,057	150	-	7,440	20	5,077
Total foreign currency denominated liabilities	1,447,990	2,031	632	1	-	-	2,032
Net foreign currency position		3,026		(1)		20	3,045

25. Subsequent Events

There is a draft tax legislation announced in the website of Directory of Inland Revenue, which among other changes, foresees the reduction of the corporate tax rate from 30% to 20% effective from January 1, 2006.