

**BİM Birleşik Mağazalar
Anonim Şirketi**

**Financial Statements
Together With
Review Report of Independent Auditors
June 30, 2006**

BİM BİRLEŞİK MAĞAZALAR A.Ş.

TABLE OF CONTENTS

	<u>Page</u>
Review 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

Introduction

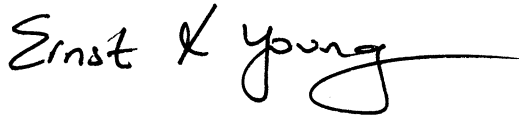
We have reviewed the accompanying interim balance sheet of BİM Birleşik Mağazalar Anonim Şirketi (the Company) as of June 30, 2006 and the related interim statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Company as at June 30, 2006 and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34.



August 9, 2006
Istanbul, Turkey

BİM Birleşik Mağazalar Anonim Şirketi**BALANCE SHEET****As at June 30, 2006****(Currency – Thousands of New Turkish Lira (YTL))**

	Notes	June 30, 2006	December 31, 2005
ASSETS			
Current assets			
Cash and cash equivalents	3	60,271	60,335
Trade receivables, net	4, 9	53,259	41,682
Inventories, net	5, 9	108,707	105,632
Prepayments and other current assets	6	4,918	4,439
Total current assets		227,155	212,088
Property and equipment, net			
Property and equipment, net	7	129,422	112,763
Intangibles, net	8	1,384	1,608
Other non-current assets		1,503	605
Total non-current assets		132,309	114,976
Total assets		359,464	327,064
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, net	9	227,970	202,512
Income tax payable	11	2,547	4,397
Other payables and accrued liabilities	9, 10	9,929	9,926
Total current liabilities		240,446	216,835
Reserve for long-term defined employee benefit plan			
Reserve for long-term defined employee benefit plan	12	3,836	3,239
Deferred tax liability	11	7,427	11,475
Total non-current liabilities		11,263	14,714
Equity			
Share capital	13	33,721	33,721
Revaluation surplus	7	5,835	5,316
Legal reserves and retained earnings	22	68,199	56,478
Total equity		107,755	95,515
Total liabilities and equity		359,464	327,064

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 six-months period ended June 30, 2006
(Currency – Thousands of New Turkish Lira (YTL))

		January 1, 2006 - June 30, 2006	April 1, 2006 - June 30, 2006	January 1, 2005- June 30, 2005	April 1, 2005 - June 30, 2005
Net sales		1,000,128	525,791	801,351	408,688
Cost of sales	9, 15	(820,374)	(432,686)	(663,490)	(336,071)
Gross profit		179,754	93,105	137,861	72,617
Selling and marketing expenses	9, 16,18	(118,767)	(61,733)	(102,864)	(51,791)
General and administrative expenses	9, 17,18	(22,295)	(10,843)	(19,263)	(8,961)
Financial income / (expense), net	9, 19	2,665	1,448	59	(139)
Other income / (expense), net	20	1,164	378	(9,560)	(10,135)
Gain on net monetary position		-	-	3,852	1,241
Profit before tax		42,521	22,355	10,085	2,832
Tax charge					
- Current	11	(9,029)	(2,860)	(5,586)	(3,458)
- Deferred	11	3,529	3,899	1,766	2,208
Net profit		37,021	23,394	6,265	1,582
Weighted average number of shares (1 YTL par value each)		25,300,000	25,300,000	25,300,000	25,300,000
Basic earnings per share (full YTL)	21	1.463	0.925	0.248	0.063

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 six-months period ended June 30, 2006
(Currency – Thousands of New Turkish Lira (YTL))**

	Share Capital	Revaluation Surplus	Legal Reserves	Retained Earnings	Total
At January 1, 2005	33,721	5,316	-	47,373	86,410
Dividends paid	-	-	-	(21,047)	(21,047)
Transfer to legal reserves	-	-	3,042	(3,042)	-
Net profit for the period	-	-	-	6,265	6,265
At June 30, 2005	33,721	5,316	3,042	29,549	71,628
At January 1, 2006	33,721	5,316	3,042	53,436	95,515
Dividends paid	-	-	-	(25,300)	(25,300)
Transfer to legal reserves	-	-	3,911	(3,911)	-
The effect of change in tax rate	-	519	-	-	519
Net profit for the period	-	-	-	37,021	37,021
At June 30, 2006	33,721	5,835	6,953	61,246	107,755

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 six-months period ended June 30, 2006**
(Currency – Thousands of New Turkish Lira (YTL))

		January 1, 2006 - January 1, 2005 -	
	Notes	June 30, 2006	June 30, 2005
Cash flows from operating activities			
Net income before monetary gain and tax charge		42,521	6,233
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization	7, 8	12,858	12,664
Reserve for long-term defined employee benefit plan	12, 16, 17, 18	433	350
Financial expense of long-term defined employee benefit plan	12, 19	164	115
Profit share income from deposit accounts	19	(2,696)	(19)
Loss on sale of property and equipment and intangibles	7, 8, 20	26	639
Expense accruals		-	2,960
Bonus payment to senior management		-	5,857
		53,306	28,799
Changes in working capital			
Trade receivables	4, 9	(11,577)	(1,063)
Inventories	5	(3,075)	2,676
Prepayments and other current assets	6	(479)	(1,675)
Other non-current assets		(898)	(1,077)
Trade payables	9	25,458	19,679
Other payables and accrued liabilities	10	(364)	695
Profit share received from deposit account	19	2,696	19
Taxes paid	11	(10,879)	(4,349)
		54,188	43,704
Cash flows from investing activities:			
Capital expenditure	7, 8	(30,742)	(14,236)
Proceeds from sale of property and equipment and intangibles	7, 8	1,423	849
		(29,319)	(13,387)
Cash flows from financing activities:			
Dividends paid	9, 21	(24,933)	(21,047)
		(24,933)	(21,047)
Net effect of monetary loss on cash and cash transactions		-	(736)
(Decrease)/increase in cash and cash equivalents	3	(64)	8,534
Cash and cash equivalents at the beginning of the period	3	60,335	17,510
Cash and cash equivalents at the end of the period	3	60,271	26,044

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 three-months period ended June 30, 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, İstanbul.

The financial statements prepared in accordance with International Financial Reporting Standards (IFRS) were authorized for issue on August 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 June 30, 2006, the Company operated through 13 warehouses (December 31, 2005 - 13) in various cities. As of June 30, 2006, the number of stores is 1,321 (December 31, 2005 - 1,194). At July 12, 2006, 14th warehouse of the Company has started its operations in Şanlıurfa.

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, deferred taxation, employee termination benefits, fair value accounting for land and building and accounting for leasing transactions.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) 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”,
- IFRS 6 “Exploration for and Evaluation of Mineral Resources”,
- IFRS 7 “Financial Instruments : Disclosures”,

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:

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.

IFRIC 6 “Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment”.

IFRIC 7 “Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies”.

IFRIC 8 “Scope of IFRS 2”.

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 six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) 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 June 30, 2006 is YTL 3,836 (December 31, 2005 - YTL 3,239).

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 June 30, 2006, the three-year cumulative rate has been 35.9% (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 have been ceased effective from January 1, 2006.

Index and conversion factors for the three-year period ended December 31, 2005 and for the six months period ended June 30, 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
June 30, 2005	8,677.2	1,0125
December 31, 2004	8,403.8	1,0454
December 31, 2003	7,382.1	1,1901

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.4 Functional and Presentation Currency (continued)

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

- all items of income statement for the period ended June 30, 2005, which were previously reported in terms of the measuring unit current at the end of that period are restated in their entirety to the measuring unit current at December 31, 2005.
- 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 period ended June 30, 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 June 30, 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.

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 original maturities of three months or less.

Trade Receivables

Trade receivables, which generally have an average of 10 day term (December 31, 2005 - 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.

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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 deprecation 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.

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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 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.

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.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 47 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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

(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/period-ends are as follows:

Dates	USD / YTL (full)	EUR / YTL (full)
June 30, 2006	1.6029	2.0095
December 31, 2005	1.3418	1.5875
June 30, 2005	1.3413	1.6167

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/period 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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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/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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

2.5 Summary of Significant Accounting Policies (continued)

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

	June 30, 2006	December 31, 2005
Cash at banks (time deposits) (*)	42,350	31,574
Cash at banks (demand deposits)	3,667	8,915
Cash on hand	10,631	11,112
Cash in transit	3,623	8,734
	60,271	60,335

(*) 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 June 30, 2006 is 11.6% per annum (December 31, 2005 - 11.7%) and maturity of time deposits is 30 days (December 31, 2005 - 30 days).

4. Trade Receivables

	June 30, 2006	December 31, 2005
Credit card receivables	52,189	40,911
Trade receivables	1,065	967
Advances given	376	308
Other receivables	250	178
Provision for doubtful receivables	(621)	(682)
	53,259	41,682

As of June 30, 2006 and December 31, 2005, the average term of trade receivables is 10 and 9 days, respectively.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

5. Inventories, net

	June 30, 2006	December 31, 2005
Trade goods	97,536	98,428
Advances given	10,892	6,666
Other stocks	279	538
	108,707	105,632

6. Prepayments and Other Current Assets

As of June 30, 2006, prepayments and other current assets mainly include prepaid rent, prepaid insurance premiums and due from personnel totalling to YTL 4,918 (December 31, 2005 - YTL 4,439).

7. Property and Equipment, net

The movements of property and equipment and the related accumulated depreciation for the six-months period ended June 30, 2006 and for the year ended December 31, 2005 are as follows:

	December 31, 2005	Additions	Disposals	Transfers	June 30, 2006
Cost or revalued amount					
Land	3,836	1,034	-	-	4,870
Land improvements	180	-	-	-	180
Building	9,102	-	-	-	9,102
Machinery and equipment	109,070	8,054	(138)	1,809	118,795
Vehicles	18,617	5,014	(2,628)	-	21,003
Furniture and fixtures	45,789	4,466	(97)	-	50,158
Leasehold improvements	51,394	5,477	(346)	-	56,525
Construction in progress	-	138	-	-	138
Advances given	1,279	6,409	-	(1,809)	5,879
	239,267	30,592	(3,209)	-	266,650
Accumulated depreciation					
Land improvements	164	6	-	-	170
Building	2,999	178	-	-	3,177
Machinery and equipment	63,062	4,923	(44)	-	67,941
Vehicles	7,446	1,823	(1,521)	-	7,748
Furniture and fixtures	31,642	3,015	(72)	-	34,585
Leasehold improvements	21,191	2,541	(125)	-	23,607
	126,504	12,486	(1,762)	-	137,228
Net book value	112,763				129,422

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

7. Property and Equipment (continued)

	December 31, 2004	Additions	Disposals	Transfers	December 31, 2005
Cost or revalued amount					
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
	218,440	26,437	(5,610)	-	239,267
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
Net book value	112,737				112,763

Land and building are carried at revalued amounts based on an independent valuation performed in 2002. Valuations for those assets were made in USD 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 the carrying amounts of land and buildings that would have been included in the financial statements as of June 30, 2006 and December 31, 2005 are as follows :

	Land and buildings	
	June 30, 2006	December 31, 2005
Cost	6,959	6,959
Accumulated depreciation	(2,222)	(2,086)

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

December 31, 2005	5,316
The effect of change in tax rate	519
June 30, 2006	5,835

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

7. Property and Equipment (continued)

As of June 30, 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:

	June 30, 2006	December 31, 2005
Furniture and fixtures	19,545	17,223
Machinery and equipment	22,739	21,497
Intangibles	5,018	4,673
Vehicles	1,114	1,044
Land improvements	123	119
	48,539	44,556

8. Intangibles

The movements of intangibles and related accumulated amortisation for the six months period ended June 30, 2006 and for the year ended December 31, 2005 are as follows:

	December 31, 2004	Additions	Disposals	December 31, 2005	Additions	Disposals	June 30, 2006
Cost							
Software rights	3,799	735	(7)	4,527	150	(2)	4,675
Other intangibles	452	-	(109)	343	-	-	343
	4,251	735	(116)	4,870	150	(2)	5,018
Accumulated amortization							
Software rights	2,214	712	-	2,926	372	-	3,298
Other intangibles	444	1	(109)	336	-	-	336
	2,658	713	(109)	3,262	372	-	3,634
Net book value	1,593			1,608			1,384

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

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

9. Related Party Balances and Transactions

The balances with related parties at June 30, 2006 and December 31, 2005 are as follows:

Balances

- (a) As of June 30, 2006 and December 31, 2005, the Company has advances given related to the inventory purchases from Teksu Ticaret A.Ş. (1) included in inventories, amounting to YTL 290 and YTL 347, respectively.
- (b) Amounts due to related parties arising from the purchase of goods, which are included in trade payables comprise the following balances:

	June 30, 2006	December 31, 2005
Ak Gıda A.Ş. (Ak Gıda) (1)	14.860	17.099
Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (1)	6.247	6.168
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. (Biskot) (1)	3.896	4.034
Noble Pazarlama Satış ve Dağıtım A.Ş. (Noble) (1)	3.852	2.153
Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (1)	3.358	2.110
ZTH Zincir Mağazalar Tedarik Hizmetleri (ZTH) (2)	2.868	51
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1)	2.793	-
Baharsu San. Ve Tic. A.Ş. (Baharsu) (1) (*)	2.267	614
Pak Kağıtçılık San. ve Tic. A.Ş. (Pak Kağıtçılık) (1)	939	802
Plas Plastik ve Ambalaj Sanayi ve Ticaret Ltd. Şti. (Plas Plastik) (1)	919	461
Çizmeci Gıda Sanayi ve Ticaret A.Ş. (Çizmeci) (1)	770	584
Nice İç ve Dış Ticaret Ltd. Şti. (Nice) (1)	512	-
Teksu Ticaret A.Ş. (1)	41	37
Sağlık Gıda Ürünleri San. Ve Tic. A.Ş. (Sağlık Gıda) (1)	11	-
ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (1)	-	427
	43.333	34.540

(*) The legal title of Oyaş Okyanus Gıda Yatırım Sanayi A.Ş. has changed as Baharsu Sanayi ve Ticaret A.Ş.

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

As of June 30, 2006, the Company has dividend payable to its shareholders amounting to YTL 367, which is included in other payables and accrued liabilities (December 31, 2005 - nil).

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

9. Related Party Balances and Transactions (continued)

Transactions

For the periods ended June 30, 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:

	January 1 - June 30, 2006	January 1 - June 30, 2005
Ak Gıda (1)	76.064	68.424
Nimet (1)	30.166	21.401
Noble (1)	12.609	9.880
Biskot (1)	9.473	10.158
Pak Kağıtçılık (1)	9.903	7.946
ZTH Zincir Mağazalar Tedarik Hizmetleri A.Ş. (2)	8.819	-
Ahsen (1)	8.570	6.230
Plas Plastik (1)	5.452	5.704
Baharsu (1)	4.394	3.468
Natura (1)	4.161	2.383
Çizmeci (1)	1.507	677
Teksu Ticaret A.Ş. (1)	700	1.116
Nice (1)	581	511
Diğer	-	89
	172.399	137.987

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

	June 30, 2006	June 30, 2005
ZTH Zincir Mağazalar Tedarik Hizmetleri (2) (*)	-	317

(*) 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 period ended June 30, 2006, the Company received consultancy services amounting to YTL 27 (June 30, 2005 – YTL 56) from Dieter Brandes.

(d) For the periods ended June 30, 2006 and 2005, bonus and payroll expenses of the board members and key management personnel amounted to YTL 2,938 and YTL 8,738 (including the bonus payment for senior management amounting to YTL 5,857) respectively.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

10. Other Payables and Accrued Liabilities

	June 30, 2006	December 31, 2005
Payroll withholdings, social security taxes and other taxes	5,837	7,614
VAT payable	2,658	1,222
Other	1,434	1,090
	9,929	9,926

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 corporate tax rate is 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. Inflation accounting application has ceased effective from January 1, 2005.

In addition, 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, 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.

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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

11. Taxes (continued)

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 periods ended June 30, is as follows:

	June 30, 2006	June 30, 2005
Net income before tax	42,521	10,085
Income tax at 20% (June 30, 2005 – 30%)	(8,504)	(3,026)
The effect of change in tax rate	3,191	-
Effect of non tax deductible and tax exempt items, net	(187)	(794)
Provision for taxes	(5,500)	(3,820)
- current	(9,029)	(5,586)
- deferred	3,529	1,766

Deferred income tax

Deferred income taxes at June 30, 2006 and June 30, 2005 relate to the following:

	Balance Sheet		Income Statement and Revaluation Surplus	
	June 30, 2006	December 31, 2005	June 30, 2006	June 30, 2005
<i>Deferred tax liability</i>				
Restatement effect on non-monetary items	8,741	13,474	(4,733)	562
<i>Deferred tax asset</i>				
Reserve for long term defined employee benefit plan	(767)	(972)	205	(113)
IPO expenses	-	-	-	(888)
Bonus accrual for senior management	-	-	-	(1,758)
Fair value decrease on building	(268)	(402)	134	(1)
Others	(279)	(625)	346	96
	<u>7,427</u>	<u>11,475</u>		
Deferred tax income, including monetary gain			<u>(4,048)</u>	<u>(2,102)</u>

Movement of net deferred tax liability is presented as follows:

	June 30, 2006	December 31, 2005
Balance at January 1	11,475	10,674
Deferred tax (credit) / charge recognized in income statement	(3,529)	1,265
Deferred tax credit recognized in revaluation surplus (Note 7)	(519)	-
Monetary gain	-	(464)
Balance at the end of period/year	7,427	11,475

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 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 1,771 and YTL 1,727 at June 30, 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.

The maximum payment for retirement pay liability per year of employment is increased to YTL 1,815 effective from July 1, 2006.

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

	June 30, 2006	December 31, 2005
Beginning balance	3,239	2,470
Actuarial loss	45	50
Financial expense of long-term defined employee benefit plan	164	227
Service cost	699	1,060
Payments	(311)	(449)
Monetary gain	-	(119)
Ending balance	3,836	3,239

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

	June 30, 2006	December 31, 2005
Discount rate	6.5%	6.5%
Expected rate of salary/limit increases	4%	4%

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

13. Share Capital

As of June 30, 2006 and December 31, 2005 the Company's paid in share capital was YTL 25,300 (historical terms) comprising 25,300,000 shares of YTL one nominal value each. Each shareholder has voting rights equivalent to their number of shares.

As of June 30, 2006 and December 31, 2005, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

	June 30, 2006		December 31, 2005	
	Historical Amount	%	Historical Amount	%
Mustafa Latif Topbaş	5,564	22.0	6,703	26.5
Abdulrahman A. El Khereji	4,952	19.6	5,205	20.6
Ahmet Afif Topbaş	1,139	4.5	-	-
Zuhair Fayez	1,048	4.1	1,301	5.1
İbrahim Halit Çizmeci	665	2.6	745	2.9
Dieter Brandes	-	-	1	-
Gregson Limited	-	-	182	0.7
Publicly held	11,932	47.2	11,163	44.2
	25,300	100.0	25,300	100.0
Effect of restatement	8,421		8,421	
Total	33,721		33,721	

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 periods ended June 30, 2006 and 2005 is as follows:

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Beginning inventory	98,428	102,263	82,061	81,686
Purchases	819,482	427,959	664,316	337,272
Ending inventory	(97,536)	(97,536)	(82,887)	(82,887)
	820,374	432,686	663,490	336,071

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

16. Selling and Marketing Expenses

The breakdown of selling and marketing expenses for the periods ended June 30, 2006 and 2005 is as follows:

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Personnel expenses	46,852	24,265	39,542	19,765
Rental expenses	29,099	15,141	24,774	12,501
Depreciation and amortisation expenses	11,186	5,905	10,718	5,246
Water, electricity and communication expenses	7,937	3,962	7,201	3,504
Packaging expenses	6,648	3,420	5,507	2,674
Maintenance and repair expenses	3,192	1,992	2,137	1,406
Advertising expenses	2,937	1,562	2,538	1,491
IT expenses	598	311	690	303
Provision for employee termination benefits	602	303	446	223
Other	9,716	4,872	9,311	4,678
	118,767	61,733	102,864	51,791

17. General and Administrative Expenses

The breakdown of general and administrative expenses for the periods ended June 30, 2006 and 2005 is as follows:

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Personnel expenses	11,748	5,827	10,693	5,359
Depreciation and amortisation expenses	1,672	665	1,946	926
Advertising expenses	1,639	803	1,724	871
Motor vehicle expenses	1,093	574	943	497
Money collection expenses	1,040	557	323	(112)
Legal and consultancy expenses	658	344	515	165
Water, electricity and communication expenses	469	212	479	186
Office supplies expenses	160	95	137	(22)
Provision for employee termination benefits	142	68	119	59
Other	3,674	1,698	2,384	1,032
	22,295	10,843	19,263	8,961

18. Personnel Expenses

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Staff costs				
Wages and salaries	49,380	25,378	42,314	21,108
Provision for employee termination benefits	744	371	565	282
Cost of defined contribution plan (employer's share of social security premiums)	9,220	4,714	7,921	4,016
	59,344	30,463	50,800	25,406

Average number of employees for the periods ended June 30, 2006 and 2005 is 7,731 and 6,667, respectively.

BİM Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

19. Financial Income, net

Financial income and expenses for the periods ended June 30, 2006 and 2005 can be summarized as follows:

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Financial expense of long-term defined employee benefit plan	(164)	(82)	(115)	(57)
Profit share income	2,696	1,432	19	6
Foreign exchange gains	268	168	561	81
Foreign exchange losses	(63)	(10)	(363)	(147)
Other financial expense	(72)	(60)	(43)	(22)
	2,665	1,448	59	(139)

20. Other Income / (Expense), net

The breakdown of other income / (expense), net for the periods ended June 30, 2006 and 2005 is as follows:

	January 1 - June 30, 2006	April 1 - June 30, 2006	January 1 - June 30, 2005	April 1 - June 30, 2005
Bonus accrual for senior management (Note 10)	-	-	(5,857)	(5,857)
IPO related expenses (Note 10)	-	-	(3,624)	(3,624)
Gain on sale of scrap materials	985	520	857	422
Loss on sale of property and equipment and intangibles	(26)	95	(639)	(688)
Other income / (expense), net	205	(237)	(297)	(388)
	1,164	378	(9,560)	(10,135)

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 period ended June 30, 2006 and 2005 are 1.463 (full YTL) and 0.248 (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 June 30, 2006 and during the year ended December 31, 2005.

For the six months period ended June 30, 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.

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 Birleşik Mağazalar Anonim Şirketi

NOTES TO FINANCIAL STATEMENTS (Continued)

For the six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

22. Legal Reserves and Retained Earnings (continued)

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

As of June 30, 2006 and December 31, 2005, retained earnings, extraordinary reserves and legal reserves and net profit for the period (as per the statutory financial statements of the Company) are as follows (YTL):

	June 30, 2006	December 31, 2005
Retained earnings	-	-
Extraordinary reserves	941	-
Legal reserves	6,953	3,042
Net profit for the period/year	44,257	41,833

23. Contingencies and Commitments

(i) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 468 at June 30, 2006 and YTL 533 at December 31, 2005, in historical terms.

(ii) As of June 30, 2006 the Company has operating lease commitments for each of the following periods:

	Thousands of YTL
Not later than one year	631
Later than one year and not later than five years	1,756
Later than five years	47

(iii) As of June 30, 2006 the Company has letters of guarantee amounting to YTL 1,516 received from its supplier firms (December 31, 2005 – YTL 2,196).

(iv) As of June 30, 2006 the total amount of the mortgages obtained from the supplier firms is YTL 12,498 (December 31, 2005 – YTL 10,704).

(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 six-months period ended June 30, 2006

(Currency – Thousands of New Turkish Lira (YTL) unless otherwise indicated)

24. Foreign Currency Denominated Assets and Liabilities

As of June 30, 2006 and December 31, 2005, the foreign currency position of the Company is summarized below:

	June 30, 2006						
	USD	Thousands of YTL Equivalent	EUR	Thousands of YTL Equivalent	GBP	Thousands of YTL Equivalent	Total YTL Equivalent
Total foreign currency denominated assets	311,874	500	118,228	238	1,608	5	743
Total foreign currency denominated liabilities	41,353	66	-	-	-	-	66
Net foreign currency position		434		238		5	677

	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	758,431	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