# BİM Birleşik Mağazalar Anonim Şirketi

## Interim financial statements at September 30, 2008

**BİM Birleşik Mağazalar Anonim Şirketi**

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**BİM Birleşik Mağazalar Anonim Şirketi**

## Interim balance sheet
## As at September 30, 2008
**(Currency – Thousands of New Turkish Lira (YTL))**

| | Notes | Unaudited September 30, 2008 | Audited December 31, 2007 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | **91,280** | 83,039 |
| Trade receivables | 4 | **141,735** | 97,993 |
| Inventories | 5 | **299,151** | 184,127 |
| Prepayments and other current assets | 6 | **5,762** | 4,928 |
| **Total current assets** | | **537,928** | 370,087 |
| Property and equipment | 7 | **373,077** | 264,708 |
| Intangible assets | 8 | **2,428** | 1,996 |
| Other non-current assets | | **6,368** | 1,671 |
| **Total non-current assets** | | **381,873** | 268,375 |
| **Total assets** | | **919.801** | 638,462 |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | 9 | **21,389** | - |
| Trade payables | 10 | **592,114** | 388,920 |
| Income tax payable | 12 | **5,573** | 6,876 |
| Other payables and accrued liabilities | 11 | **39,416** | 26,187 |
| **Total current liabilities** | | **658,492** | 421,983 |
| Employee benefit liability | 13 | **6,151** | 5,715 |
| Deferred tax liability | 12 | **9,128** | 8,970 |
| Other non-current liabilities | | **168** | 184 |
| **Total non-current liabilities** | | **15,447** | 14,869 |
| **Equity** | | | |
| Share capital | 14 | **84,321** | 33,721 |
| Revaluation surplus | 7 | **12,776** | 12,776 |
| Legal reserves | 23 | **26,057** | 21,376 |
| Retained earnings | 23 | **122,708** | 133,737 |
| **Total equity** | | **245,862** | 201,610 |
| **Total liabilities and equity** | | **919,801** | 638,462 |

The accompanying policies and explanatory notes on pages 5 through 33 form an integral part of the financial statements.

## Interim statement of income
## For the nine-months period ended September 30, 2008
### (Currency – Thousands of New Turkish Lira (YTL))

| | Notes | Unaudited January 1, 2008 - September 30, 2008 | Unaudited July 1, 2008 - September 30, 2008 | Unaudited January 1, 2007 - September 30, 2007 | Unaudited July 1, 2007 – September 30, 2007 |
|---|---|---|---|---|---|
| Net sales | | **3,174,141** | **1,148,970** | 2,154,398 | 800,401 |
| Cost of sales | 10, 16 | **(2,661,392)** | **(967,584)** | (1,775,527) | (658,173) |
| **Gross profit** | | **512,749** | **181,386** | 378,871 | 142,228 |
| Selling and marketing expenses | 10, 17, 19 | **(343,993)** | **(130,235)** | (251,065) | (91,852) |
| General and administrative expenses | 10, 18, 19 | **(55,439)** | **(19,627)** | (39,495) | (14,052) |
| Other income | 21 | **6,099** | **2,244** | 5,052 | 1,840 |
| Other expense | 21 | **(3,027)** | **(637)** | (1,956) | (802) |
| **Operating profit** | | **116,389** | **33,131** | 91,407 | 37,362 |
| Financial income | 10, 20 | **2,297** | **302** | 3,905 | 559 |
| Financial expense | 10, 20 | **(2,590)** | **(1,935)** | (746) | (286) |
| **Profit before tax** | | **116,096** | **31,498** | 94.566 | 37,635 |
| Tax charge | | | | | |
| - Current | 12 | **(23,616)** | **(6,285)** | (19,705) | (7,752) |
| - Deferred | 12 | **(158)** | **(314)** | 479 | 38 |
| **Net profit** | | **92,322** | **24,899** | 75,340 | 29,921 |
| Weighted average number of shares (1 YTL par value each) | | **75,900,000** | **75,900,000** | 75,900,000 | 75,900,000 |
| Basic and diluted earnings per share (full YTL) | 22 | **1.216** | **0.328** | 0.993 | 0.394 |

The accompanying policies and explanatory notes on 5 through 33 form an integral part of the financial statements.

## Interim statement of changes in equity
### For the nine-months period ended September 30, 2008
**(Currency – Thousands of New Turkish Lira (YTL))**

| | Share capital | Revaluation surplus | Legal reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| **At January 1, 2008** | **33,721** | **12,776** | **21,376** | **133,737** | **201,610** |
| **Dividends paid** | **-** | **-** | **-** | **(48,070)** | **(48,070)** |
| **Transfer to legal reserves** | **-** | **-** | **4,681** | **(4,681)** | **-** |
| **Transfer to share capital** | **50,600** | **-** | **-** | **(50,600)** | **-** |
| **Net profit for the period** | **-** | **-** | **-** | **92,322** | **92,322** |
| **At September 30, 2008** | **84,321** | **12,776** | **26,057** | **122,708** | **245,862** |
| At January 1, 2007 | 33,721 | 12,776 | 7,894 | 95,064 | 149,455 |
| Dividends paid | - | - | - | (55,660) | (55,660) |
| Transfer to legal reserves | - | - | 13,482 | (13,482) | - |
| Net profit for the period | - | - | - | 75,340 | 75,340 |
| At September 30, 2007 | 33,721 | 12,776 | 21,376 | 101,262 | 169,135 |

The accompanying policies and explanatory notes on pages 6 through 34 form an integral part of the financial statements.

## Interim statement of cash flows
## For the nine-months period ended September 30, 2008
**(Currency – Thousands of New Turkish Lira (YTL))**

| | Notes | September 30, 2008 | September 30, 2007 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **116,096** | 94,566 |
| **Adjustments to reconcile profit before tax to net cash provided by operating activities:** | | | |
| Depreciation and amortisation | 7, 8 | **31,682** | 24,389 |
| Reserve for long-term defined employee benefit plan | 13, 17, 18 | **926** | 1,454 |
| Financial expense of long-term defined employee benefit plan | 13, 20 | **378** | 340 |
| Foreign Exchange Loss | | **602** | - |
| Profit share income from deposit accounts | 20 | **(1,933)** | (3,684) |
| Reserve for/(reversal of) inventories, net | 5 | **623** | 1,033 |
| Loss on sale of property and equipment and intangibles | 7, 8, 21 | **1,092** | 693 |
| | | **149,466** | 118,791 |
| **Changes in working capital** | | | |
| Trade receivables | 4, 10 | **(43,716)** | (37,223) |
| Inventories | 5 | **(104,147)** | (71,751) |
| Prepayments and other current assets | 6 | **(12,360)** | 2,255 |
| Other non-current assets | | **(4,697)** | (873) |
| Trade payables | 10 | **202,592** | 132,909 |
| Other payables and accrued liabilities | 11 | **1,553** | 4,553 |
| Other non-current liabilities | | **11,660** | (500) |
| Income taxes paid | 12 | **(24,919)** | (15,663) |
| Employee benefit payments | 13 | **(868)** | (675) |
| **Net cash generated by operating activities** | | **174,564** | 131,823 |
| **Cash flows from investing activities:** | | | |
| Purchase of property and equipment and intangibles | 7, 8 | **(142,460)** | (86,862) |
| Proceeds from sale of property and equipment and intangibles | | **885** | 1,377 |
| Profit share received from deposit account | 20 | **1,933** | 3,684 |
| **Net cash used in investing activities** | | **(139,642)** | (81,801) |
| **Cash flows from financing activities:** | | | |
| Dividends paid | | **(48,070)** | (56,027) |
| Proceeds from short-term borrowings | | **21,389** | - |
| **Net cash used in financing activities** | | **(26,681)** | (56,027) |
| Decrease in cash and cash equivalents | | **8,241** | (6,005) |
| Cash and cash equivalents at the beginning of the period | 3 | **83,039** | 81,085 |
| **Cash and cash equivalents at the end of the period** | 3 | **91,280** | 75,080 |

The accompanying policies and explanatory notes on pages 6 through 34 form an integral part of the financial statements.

## 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 ultimate controlling party of the Company is Mustafa Latif Topbaş. The financial statements were authorized for issue on October 30, 2008 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.

## 2.1 Basis of preparation

The interim financial statements of the Company have been prepared in accordance with IAS 34 - Interim Financial Reporting. 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 International Financial Reporting Standards (IFRS). Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL (until December 31, 2005), provision for inventories, deferred taxation, employee termination benefits, revaluation of land and building and amortized cost calculation of trade receivables and payables.

### Reclassifications of 2007 comparatives

Certain reclassifications have been made in the statement of income for the six month period ended September 30, 2007 to be consistent with the current period presentation. Advertising expenses previously disclosed in general and administrative expenses amounting to YTL 2,847 are reclassified into selling and marketing expenses and sales premium income previously disclosed in other income amounting to YTL 3,232 are reclassified to cost of sales.

### 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.

## 2.2 Changes in accounting policy and disclosures

### Adoption of revised and new standards

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2007, except for the adoption of new standards and interpretations noted below. Adoption of these standards and Interpretations did not have any effect on the financial position or performance of the Company. They did however give rise to additional disclosures.

- IFRIC 11 "Group and Treasury Share Transactions": IFRIC 11 addresses how to apply IFRS 2 Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. This interpretation becomes effective for annual periods beginning on or after March 1, 2007. This new interpretation did not have any impact on the Company's financial statements.
- IFRIC 12 "Service Concession Arrangements": Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services such as roads, airports, prisons and energy and water supply and distribution facilities to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. This interpretation becomes effective for annual periods beginning on or after January 1, 2008. This new interpretation has no impact on the financial statements of the Company as of September 30, 2008.
- IFRIC 14 "IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": The interpretation specifies when refunds or reductions in future contributions should be regarded as available and how a minimum funding requirement might affect the availability of reductions in future contributions. The interpretation also clarifies when a minimum funding requirement might give rise to a liability. IFRIC 14 is effective for annual periods beginning on or after January 1, 2008. There is no funding requirement in Turkey, accordingly this new interpretation did not have any impact on the Company's financial statements.

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the period ending September 30, 2008 and have not been early adopted:

- IFRIC 13 "Customer Loyalty Programs": The interpretation specifies how the loyalty programs should be accounted for and is effective for annual periods beginning on or after July 1, 2008. Earlier application is permitted. The Company does not have any customer loyalty programs, therefore this interpretation has no impact on the financial statements of the Company as of September 30, 2008.

- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument(s) can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation was issued on July 3, 2008 and is effective for annual periods beginning on or after January 1, 2009 and must be applied retrospectively. This new interpretation is not expected to have any impact on the Company's financial statements.

### 2.2 Changes in accounting policies (continued)

***Standards interpretations and amendments to published standards that are not yet effective (continued)***

- IFRS 3, "Business Combinations" (Revised) and IAS 27, "Consolidated and Separate Financial Statements" (Amended), effective for annual periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- IFRS 8 "Operating Segments": IFRS 8 requires disclosure of information about the Company's operating segments. The standard is effective from January 1, 2009.This new standard is not expected to have any impact on the Company's financial statements.

- IAS 1 "Presentation of Financial Statements - Revised": The revised standard introduces a new statement the "statement of comprehensive income". It requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. An entity is not permitted to present components of comprehensive income in the statement of changes in equity. It also requires income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate statement of income and a statement of comprehensive income), separately from owner changes in equity. Revised IAS 1 is effective from January 1, 2009. Earlier application is permitted. The Company is assessing the impact of this standard.

- IAS 23 "Amendment Borrowing Costs": This amendment requires borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset to be capitalized as part of the cost of that asset, therefore removes the alternative of reflecting such costs as period expenses. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. This new standard is not expected to have any impact on the Company's financial statements.

- IFRS 2 "Share-based Payment": This amendment to IFRS 2 was issued in January 2008 and become effective for annual periods beginning on or after January 1, 2009. The amendment clarifies the definition of a vesting condition and prescribes the treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. This new interpretation is not expected to have any impact on the Company's financial statements.

- IAS 32 "Financial Instruments": These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after January 1, 2009. The amendments allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified features. This new interpretation is not expected to have any impact on the Company's financial statements.

- IFRIC 15 - Agreements for the Construction of Real Estate, addresses the divergence in construction of real estate accounting treatment and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. This interpretation was issued on July 3, 2008 and is effective for annual periods beginning on or after January 1, 2009 and must be applied retrospectively. This new interpretation will not have any impact on the Company's financial statements.

### 2.3 Significant accounting judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. 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 and as judgment changes become necessary, they are accounted in the periods in which they become known.

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

### 2.4 Functional and presentation currency

Functional and presentation currency of the Company is YTL. Until December 31, 2005, the financial statements were restated for the changes in the general purchasing power of YTL based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). Since the objective conditions for the restatement in hyperinflationary economies was no longer available at that time, Turkey came off hyperinflationary status effective from January 1, 2006. The financial statements were restated until December 31, 2005 in accordance with IAS 29. Therefore, the non-monetary assets and liabilities and components of shareholders’ equity including share capital reported in the balance sheet as of September 30, 2008 and December 31, 2007 are derived by indexing the additions occurred until December 31, 2005 to December 31, 2005 and carrying the additions after this date with their nominal amounts.

### 2.5 Summary of significant accounting policies

#### Financial instruments

Financial asset and financial liabilities are recognized on the Company’s balance sheet when the Company becomes a party to the contractual provisions of the instrument.

When a financial instrument gives rise to a contractual obligation on the part of the Company to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavorable, it is classified as a financial liability. The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

(a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

(b) If the instrument will or may be settled in the Company’s own equity instruments, it is a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

#### Cash and cash equivalents

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

## 2.5 Summary of significant accounting policies (continued)

### Trade receivables

Trade receivables, which generally have an average of 10 day term (December 31, 2007 – 10 days) are carried at amortized cost less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

### Inventories

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

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

### Property and equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income. 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 unless the asset recognition criteria are met which case the expenditures are capitalized as an additional cost of property and equipment.

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

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

| | Years |
|---|---|
| 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.

### 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 are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset.

The Company does not have any intangible assets with indefinite useful lives.

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 non-financial 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.

#### Trade payables

Trade payables which generally have an average of 52 day term (December 31, 2007 – 51 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.

#### Bank borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

#### Borrowing costs

Borrowing costs are expensed as incurred.

**2.5 Summary of significant accounting policies (continued)**

**Fair value estimations for financial instruments**

The fair values of certain financial assets carried at cost, including cash and cash equivalents plus the respective accrued profit share are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying value of the trade receivables less provision for impairment of trade receivables is estimated to be the fair value due to their short-term nature.

The carrying value of trade payables and bank borrowings approximate to their fair values due to their short-term nature. Those denominated in foreign currencies are translated at period-end exchange rates.

Estimates and judgments 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.

**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.

## 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.

**Classification of financial assets and liabilities**

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

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. The Company's financial assets are comprised of loans and receivables.

*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.

**Impairment of financial assets**

The Company assesses at each balance sheet date whether a financial asset or group of financial assets impaired.

*Assets carried at amortised cost*

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

As of September 30, 2008 and December 31, 2007, the Company does not have any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

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

### 2.5 Summary of significant accounting policies (continued)

**Foreign currency transactions**

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

Foreign currency conversion rates used by the Company as of September 30, 2008 are as follows:

| Dates | USD / YTL (full) | EUR / YTL (full) |
|---|---|---|
| **September 30, 2008** | **1.2316** | **1.7978** |
| December 31, 2007 | 1.1647 | 1.7102 |

**Earnings per share**

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

**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.

### 2.5 Summary of significant accounting policies (continued)

**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 statement of income on a straight-line basis over the lease term.

**Related parties**

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;

(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

**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.

### 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 except;

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 except;

- where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extend that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

**Employee benefit liability**

**a) Defined benefit plans:**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnity payments 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 employee benefit liability is provided for in accordance with IAS 19 “Employee Benefits” and is based on an independent actuarial study.

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

### 2.5 Summary of significant accounting policies (continued)

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

**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.

**Segment reporting**

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

### 3. Cash and cash equivalents

| | **September 30,2008** | December 31, 2007 |
|---|---|---|
| Cash on hand | **22,385** | 21,455 |
| Cash at banks (demand deposits) | **47,292** | 37,694 |
| Cash at banks (time deposits) (*) | **-** | 19,470 |
| Cash in transit | **21,603** | 4,420 |
| | **91,280** | 83,039 |

(*) Time deposits are profit/loss participation accounts in New Turkish Lira and in foreign currencies 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. As of September 30, 2008 the Company does not have any time deposits in banks. (December 31, 2007 – is 13.4% for YTL and 4.4% for foreign currency per annum, maturity of these time deposits was 30 days)
There is no restricted cash as of September 30, 2008 and December 31, 2007.

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

## 4. Trade receivables

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Credit card receivables | **139,658** | 96,032 |
| Trade receivables | **1,328** | 2,020 |
| Advances given | **1,108** | 331 |
| Other receivables | **170** | 134 |
| Provision for doubtful receivables | **(529)** | (524) |
| | **141,735** | 97,993 |

As of September 30, 2008, the average term of trade receivables is 10 days (December 31, 2007 - 10 days).

As of September 30, 2008 and December 31, 2007, the Company does not have any overdue receivables except for the receivables which provision is already provided.

## 5. Inventories

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Trade goods | **283,491** | 166,066 |
| Other stocks | **4,160** | 874 |
| Advances given | **11,500** | 17,187 |
| | **299,151** | 184,127 |

As of September 30, 2008, reserve provision to reflect the inventories at their net realizable values and for the slow moving trade goods amounted to YTL 2,485 (December 31, 2007 – YTL 1,862) in cost of sales.

## 6. Prepayments and other current assets

As of September 30, 2008 and December 31, 2007, the breakdown of prepayments and other current assets is as follows:

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Prepaid expenses | **5,287** | 4,703 |
| Due from personnel | **153** | 114 |
| Other | **322** | 111 |
| | **5,762** | 4,928 |

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

## 7. Property and equipment

The movements of property and equipment and the related accumulated depreciation and impairment losses for the periods ended September 30, 2008 and September 30, 2007 respectively are as follows:

| | December 31, 2007 | Additions | Disposals | Transfers | September 30, 2008 |
|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | |
| Land | **40,257** | **1,879** | **-** | **-** | **42,136** |
| Land improvements | **411** | **390** | **-** | **-** | **801** |
| Building | **42,614** | **19,726** | **-** | **2,688** | **65,028** |
| Machinery and equipment | **153,543** | **38,336** | **(285)** | **-** | **191,594** |
| Vehicles | **31,914** | **11,724** | **(1,739)** | **-** | **41,899** |
| Furniture and fixtures | **68,540** | **14,037** | **(187)** | **-** | **82,390** |
| Leasehold improvements | **90,965** | **35,245** | **(1,800)** | **-** | **124,410** |
| Construction in progress | **2,312** | **10,486** | **-** | **(2,688)** | **10,110** |
| Advances Given | **8,490** | **9,640** | **-** | **-** | **18,130** |
| | **439,046** | **141,463** | **(4,011)** | **-** | **576,498** |
| **Accumulated depreciation** | | | | | |
| Land improvements | **226** | **59** | **-** | **-** | **285** |
| Building | **1,228** | **1,711** | **-** | **-** | **2,939** |
| Machinery and equipment | **83,644** | **9,820** | **(146)** | **-** | **93,318** |
| Vehicles | **11,849** | **5,365** | **(1,090)** | **-** | **16,124** |
| Furniture and fixtures | **45,468** | **6,814** | **(91)** | **-** | **52,191** |
| Leasehold improvements | **31,923** | **7,348** | **(707)** | **-** | **38,564** |
| | **174,338** | **31,117** | **(2,034)** | **-** | **203,421** |
| **Net book value** | **264,708** | | | | **373,077** |

| | December 31,2006 | Additions | Disposals | Transfers | September 30, 2007 |
|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | |
| Land | 14,961 | 6,569 | - | 1,800 | **23,330** |
| Land improvements | 353 | 31 | - | | **384** |
| Building | 17,598 | 1,297 | - | 17,034 | **35,929** |
| Machinery and equipment | 130,131 | 18,858 | (430) | 38 | **148,597** |
| Vehicles | 24,618 | 7,653 | (2,716) | 180 | **29,735** |
| Furniture and fixtures | 56,017 | 10,460 | (172) | 21 | **66,326** |
| Leasehold improvements | 67,588 | 20,093 | (1,809) | - | **85,872** |
| Construction in progress | 34 | 17,387 | - | (17,034) | **386** |
| Advances given | 4,597 | 4,066 | - | (2,039) | **6,624** |
| | 315,897 | 86,413 | (5,127) | - | **397,183** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 181 | 32 | | - | **213** |
| Building | - | 815 | | - | **815** |
| Machinery and equipment | 73,256 | 8,078 | (246) | - | **81,088** |
| Vehicles | 8,818 | 3,784 | (1,702) | - | **10,900** |
| Furniture and fixtures | 37,740 | 5,851 | (137) | - | **43,454** |
| Leasehold improvements | 25,726 | 5,408 | (972) | - | **30,162** |
| | 145,721 | 23,968 | (3,057) | | **166,632** |
| **Net book value** | 170,176 | | | | **230,551** |

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

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

## 7. Property and equipment (continued))

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

The revaluation surplus is not available for distribution to shareholders.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts of land and building that would have been included in the financial statements As of September 30, 2008 and December 31, 2007 respectively are as follows:

| | **Land and buildings** | |
|---|---|---|
| | **September 30, 2008** | December 31, 2007 |
| Cost | **7,515** | 7,515 |
| Accumulated depreciation | **(3,633)** | (3,078) |
| Carrying amount | **3,882** | 4,437 |

As of September 30, 2008 and December 31, 2007, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Furniture and fixtures | **33,811** | 27,560 |
| Machinery and equipment | **48,936** | 42,528 |
| Intangibles and leasehold improvements | **11,579** | 10,633 |
| Vehicles | **1,554** | 825 |
| Land improvements | **176** | 176 |
| | **96,056** | 81,722 |

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

## 8. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended September 30, 2008 and 2007 are as follows:

| | January 1, 2008 | Additions | September 30, 2008 |
|---|---|---|---|
| Cost | | | |
| Software licenses | **6,107** | **998** | **7,105** |
| Other intangibles | **344** | **-** | **344** |
| | **6,451** | **998** | **7,449** |
| Accumulated amortization | | | |
| Software licenses | **(4,118)** | **(566)** | **(4,684)** |
| Other intangibles | **(337)** | **-** | **(337)** |
| | **(4,455)** | **(566)** | **(5,021)** |
| **Net book value** | **1,996** | | **2,428** |

| | January 31, 2006 | Additions | September 30, 2007 |
|---|---|---|---|
| **Cost** | | | |
| Software licenses | **4,806** | **449** | **5,255** |
| Other intangibles | **343** | **-** | **343** |
| | **5,149** | **449** | **5,598** |
| **Accumulated amortization** | | | |
| Software licenses | **(3,509)** | **(421)** | **(3,930)** |
| Other intangibles | **(337)** | **-** | **(337)** |
| | **(3,846)** | **(421)** | **(4,267)** |
| **Net book value** | **1,303** | | **1,331** |

The estimated useful lives of intangible assets are 5 years.

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

### 9. Short-term borrowings

As of September 30, 2008, the Company has YTL 21,389 loan obtained from a participation bank (December 31, 2007 - None).

| | | | **September 30, 2008** |
|---|---|---|---|
| **Currency** | **Amount** | **Profit share (%)** | **Maturity** |
| YTL | 13,335 | 22,6% | October 27, 2008 |
| YTL | 8,054 | 22,6% | October 03, 2008 |
| | **21,389** | | |

As of September 30, 2008, the Company does not have long-term loans (December 31, 2007 - None).

### 10. Trade payables

#### a) Trade payables

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Trade Payables | **592,114** | 388,920 |
| | **592,114** | 388,920 |

As of September 30, 2008, the Company has letters of guarantee amounting to YTL 25,799 (December 31, 2007 - YTL 12,851) and mortgages amounting to YTL 15,857 (December 31, 2007 - YTL 16,635) received from its supplier firms.

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

## 10. Trade payables (continued)

### b) Related party balances

The balances with related parties as of September 30, 2008 and December 31, 2007, included in trade payables, are as follows:

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Ak Gıda A.Ş. (Ak Gıda) (1) | **40,840** | 33,351 |
| Teközel Gıda Tem.Sağ.Mar.Ltd. Şti (Teközel) (1) | **16,840** | 12,790 |
| Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) (1) | **13,861** | - |
| Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1) | **5,766** | - |
| Marsan Gıda San. ve Tic. A.Ş. (Marsan) (1) (3) (*) | **2,123** | - |
| Seher Gıda Paz. San. ve Tic. A.Ş. (Seher) (1) | **4** | 40 |
| Nimet Gıda Sanayi ve Ticaret A.Ş. (Nimet) (2) | **-** | 12,025 |
| Ahsen Plastik Sanayi ve Ticaret A.Ş. (Ahsen) (2) | **-** | 4,305 |
| Taptaze Gıda San. ve Tic. A.Ş. (Taptaze) (2) | **-** | 3,687 |
| Plas Plastik ve Ambalaj Sanayi ve Ticaret Ltd. Şti. (Plas Plastik) (2) | **-** | 1,513 |
| Pak Kağıtçılık San. ve Tic. A.Ş. (Pak Kağıtçılık) (2) | **-** | 1,251 |
| ZTH Zincir Mağazalar Tedarik Hizmetleri (ZTH) (2) | **-** | 1,144 |
| ETM Ev Tüketim Malları Sanayi ve Ticaret A.Ş. (ETM) (2) | **-** | 1,140 |
| Noble Pazarlama Satış ve Dağıtım A.Ş. (Noble) (2) | **-** | 756 |
| ELK Elektrik ve Elektronik Ev Aletleri (ELK) (2) | **-** | 329 |
| Nice İç ve Dış Tic. Ltd. Şti. (2) | **-** | 3 |
| | **79,557** | 72,334 |

As of September 30, 2008, the Company does not have any dividend payable (December 31, 2007- null).

(*) The name of the Gıdasa Sabancı Gıda San. ve Tic. A.Ş. company has changed as Marsan Gıda San. ve Tic. A.Ş.

(1) Companies owned by shareholders of the Company
(2) The companies owned by the Board of Director member, Mehmet Fatih Saraç is not disclosed as related parties since Mehmet Fatih Saraç has resigned from his duties on January 30, 2008.
(3) Disclosed as related parties since the share of such company is owned by the shareholders of the Company as of September 30, 2008.

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

## 10. Trade payables (continued))

### c) Related party transactions

For the period ended September 30, 2008 and September 30, 2007, summary of the major transactions with related parties are as follows:

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

| | **January 1 - September 30, 2008** | January 1 - December 31, 2007 |
|---|---|---|
| Ak Gıda (1) | **235,855** | 176,299 |
| Başak (1) | **60,163** | - |
| Marsan (1) (3) | **11,113** | - |
| Teközel (1) | **58,645** | 22,399 |
| Natura (1) | **19,801** | 12,980 |
| Ekstrem (1) | **1,682** | - |
| Bahariye (1) | **1,555** | 3,073 |
| Seher (1) | **126** | 87 |
| Nimet (2) | **-** | 64,475 |
| Ahsen (2) | **-** | 23,507 |
| Pak Kağıtçılık (2) | **-** | 19,924 |
| Noble (2) | **-** | 16,694 |
| Taptaze (2) | **-** | 14,070 |
| Plas Plastik (2) | **-** | 11,058 |
| ZTH (3) | **-** | 9,488 |
| ELK (2) | **-** | 5,489 |
| ETM (2) | **-** | 3,006 |
| | **388,940** | 382,549 |

(ii) For the period ended September 30, 2008 and 2007, bonus and payroll expenses of the board members and key management personnel amounted to YTL 6,901 (43 persons) and YTL 5,201 (36 persons) respectively.

## 11. Other payables and accrued liabilities

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Payroll withholdings, social security taxes and other taxes | **18,255** | 9,255 |
| VAT payable | **4,905** | 2,875 |
| Other (*) | **16,256** | 14,057 |
| | **39,416** | 26,187 |

(*) Includes the notes payable amounting to (i) YTL 11,084 (December 31, 2007 - YTL 10,482) that was issued to acquire a land in Esenyurt, (ii) USD 190,400 (full USD) (YTL 235) (December 31, 2007 - USD 78,400 (full USD) (YTL 91)) that was issued to acquire a land in Balıkesir.

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

## 12. Taxes

**General information**

The Company is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate for the fiscal periods ending September 30, 2008 and December 31, 2007 is 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% 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.

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.

15% (December 31, 2007 - 15%) withholding 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 dividend 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 a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

With the new law enacted, effective from January 1, 2006, if the ratio of the borrowings from shareholders of a Company or from its related parties exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as disguised capital. In addition to the interest paid or accrued, foreign exchange losses and other similar expense calculated over the borrowed amount exceeding the above mentioned criteria are treated as non-deductible for corporate income tax purposes. Such interest expense will be considered as non-deductible expenses when calculating the corporate tax base of the borrower company.

The composition of income tax payable as of September 30, 2008 and December 31, 2007 is as follows:

| | **January 1, September 30, 2008** | January 1 - December 31, 2007 |
|---|---|---|
| Corporate tax payable | **23,616** | 26,936 |
| Prepaid tax | **(18,043)** | (20,060) |
| Income tax payable | **5,573** | 6,876 |

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

## 12. 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 September 30, 2008 and 2007 is as follows:

| | **January 1 - September 30, 2008** | January 1 - September 30, 2007 |
|---|---|---|
| Net income before tax | **116,096** | 94,566 |
| Income tax at 20% | **(23,220)** | (18,913) |
| Effect of non tax deductible and tax exempt items, net | **(554)** | (313) |
| Provision for taxes | **(23,774)** | (19,226) |
| - current | **(23,616)** | (19,705) |
| - deferred | **(158)** | 479 |

### Deferred income tax

Deferred income taxes relate to the following:

| | Balance sheet | | Statement of income | |
|---|---|---|---|---|
| | **September 30, 2008** | December 31, 2007 | **September 30, 2008** | September 30, 2007 |
| *Deferred tax liability* | | | | |
| Restatement effect on non-monetary items | **12,249** | 11,206 | **1,043** | 276 |
| *Deferred tax asset* | | | | |
| Reserve for long term defined employee benefit plan | **(1,230)** | (1,143) | **(87)** | (224) |
| Others | **(1,891)** | (1,093) | **(798)** | (531) |
| | **9,128** | 8,970 | | |
| Deferred tax charge / (income) | | | **158** | (479) |

Movement of net deferred tax liability is presented as follows:

| | **September 30, 2008** | September 30, 2007 |
|---|---|---|
| Balance at January 1 | **8,970** | 8,641 |
| Deferred tax charge/(credit) recognized in statement of income | **158** | (479) |
| Balance at the end of period | **9,128** | 8,162 |

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

## 13. 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 2,173 and YTL 2,030 at September 30, 2008 and December 31, 2007, 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, as long as the cumulative unrecognized portion exceeds 10% of the present value of defined benefit obligation, are recognized in the statement of income over the average remaining working lives of employees. Actuarial gains and losses are determined 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 principal actuarial assumptions used at each balance sheet date are as follows:

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Discount rate | **11%** | 11% |
| Expected rate of salary/limit increases | **5%** | 5% |

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

| | **September 30, 2008** | September 30, 2007 |
|---|---|---|
| Current service cost | **926** | 1,395 |
| Financial expense of long-term defined employee benefit plan | **378** | 340 |
| Actuarial loss recognized in the year | **-** | 59 |
| Net benefit expense | **1,304** | 1,794 |

| | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Defined benefit obligation | **5,537** | 5,101 |
| Unrecognized actuarial gains / (losses) | **614** | 614 |
| Benefit liability | **6,151** | 5,715 |

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

| | **September 30, 2008** | September 30, 2007 |
|---|---|---|
| Defined benefit obligation at January 1 | **5,101** | 7,036 |
| Financial expense of long-term defined employee benefit plan | **378** | 340 |
| Current service cost | **926** | 1,395 |
| Benefits paid | **(868)** | (675) |
| Defined benefit obligation at the end of the period | **5,537** | 8,096 |

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

### 14. Share capital

Due to the decision taken in Extraordinary General Meeting held on June 23, 2008, the Company has increased its share capital to YTL 75,900,000 totally from 2007 profit comprising 75,900,000 shares of YTL 1 nominal value each. Each shareholder has voting rights equivalent to their number of shares.

As of September 30, 2008 and December 31, 2007, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) can be summarized as follows:

| | **September 30, 2008** | | December 31, 2007 | |
|---|---|---|---|---|
| | **Historical amount** | **%** | Historical amount | % |
| Mustafa Latif Topbaş | **14,733** | **19.4** | 5,064 | 20.0 |
| Abdulrahman A. El Khereiji | **14,106** | **18.6** | 4,702 | 18.6 |
| Ahmet Afif Topbaş | **5,286** | **7.0** | 1,609 | 6.4 |
| Zuhair Fayez | **2,994** | **4.0** | 998 | 4.0 |
| İbrahim Halit Çizmeci | **900** | **1.1** | 300 | 1.1 |
| Ömer Hulusi Topbaş | **90** | **0.1** | 30 | 0.1 |
| Public | **37,791** | **49.8** | 12,597 | 49.8 |
| | **75.900** | **100** | 25,300 | 100 |
| Effect of restatement (Note 2) | **8,421** | | 8,421 | |
| Total | **84,321** | | 33,721 | |

### 15. Risk management policy

The Company's principal financial instruments comprise cash and short-term deposits. 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 receivables and payables which arise directly from its operations. The Company manages its capital through cash provided by its operations and review of the maturities of the trade payables.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Since the Company is engaged in the retail sector and transactions are mainly on a cash basis, the exposure to credit, liquidity and price risk is minimal. Trade receivables mainly consist of credit card receivables from reliable banks therefore credit risk exposure is at minimal level.

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.

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

### 15. Risk management policy (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at September 30, 2008 and December 31, 2007 based on contractual undiscounted payments.

| | On demand | Up to 1 month | 1 to 3 months | 3 to 12 months | 1-5 years | Total |
|---|---|---|---|---|---|---|
| **September 30, 2008** | | | | | | |
| Trade payables | **100,022** | **284,905** | **135,069** | **-** | **-** | **519,996** |
| Due to related parties | **21,585** | **51,639** | **7,454** | **-** | **-** | **80,678** |
| Other payables and accrued expenses | **-** | **39,250** | | **166** | **168** | **39,584** |
| December 31, 2007 | | | | | | |
| Trade payables | 48,528 | 215,001 | 57,607 | - | - | 321,136 |
| Due to related parties | 15,121 | 52,212 | 6,007 | - | - | 73,340 |
| Other payables and accrued expenses | - | 15,014 | 200 | 10,973 | 184 | 26,371 |

As of September 30, 2008 and December 31, 2007, the foreign currency position of the Company is summarized below:

| | **September 30, 2008** | | | December 31, 2007 | | |
|---|---|---|---|---|---|---|
| | **Currency** | **USD Amount** | **YTL Equivalent** | Currency | USD Amount | YTL Equivalent |
| Foreign currency denominated assets | **USD** | **96,653** | **119** | USD | 421,531 | 491 |
| | **EURO** | **18,239** | **33** | EURO | 1,638 | 3 |
| Total | | | **152** | | | 494 |
| Foreign currency denominated liabilities | **USD** | **9,351,933** | **11,527** | USD | 9,479,574 | 11,041 |
| **Total** | | | **11,527** | | | **11,041** |

The following table demonstrates the sensitivity to a reasonably possible changes in U.S dollar, Euro and GBP exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities.

| | | | **Increase in foreign exchange rates** | | **Decrease in foreign exchange rates** |
|---|---|---|---|---|---|
| **September 30, 2008** | **USD** | **+5%** | **(570)** | **(5%)** | **570** |
| | **EUR** | **+5%** | **(1)** | **(5%)** | **(1)** |
| | **GBP** | **+5%** | | **(5%)** | |
| December 31, 2007 | USD | +5% | (527) | (5%) | 527 |
| | EUR | +5% | 1 | (5%) | 1 |
| | GBP | +5% | - | (5%) | - |

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

## 16. Cost of sales

Cost of sales for the periods ending September 30, 2008 and 2007 is as follows:

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Beginning inventory | **166,066** | 239,428 | 138,524 | 128,594 |
| Purchases | **2,778,817** | 1,011,647 | 1,836,900 | 729,476 |
| Ending inventory | **(283,491)** | (283,491) | (199,897) | (199,897) |
| | **2,661,392** | 967,584 | 1,775,527 | 658,173 |

## 17. Selling and marketing expenses

The breakdown of selling and marketing expenses for the periods ending September 30, 2008 and 2007 is as follows:

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Personnel expenses | **143,141** | 54,428 | 100,845 | 38,028 |
| Rental expenses | **81,914** | 30,292 | 60,417 | 21,468 |
| Depreciation and amortisation expenses | **28,197** | 10,270 | 21,950 | 7,707 |
| Water, electricity and communication expenses | **23,953** | 10,804 | 16,902 | 6,377 |
| Packaging expenses | **17,355** | 6,723 | 14,363 | 5,387 |
| Advertising expenses | **10,096** | 3,476 | 7,958 | 2,687 |
| Maintenance and repair expenses | **10,109** | 4,210 | 7,554 | 2,726 |
| Provision for employee termination benefit | **762** | 256 | 1,194 | 405 |
| Trucks fuel expense | **13,903** | 5,320 | 8,433 | 3,342 |
| Other | **14,563** | 4,456 | 11,449 | 3,725 |
| | **343,933** | 130,235 | 251,065 | 91,852 |

## 18. General and administrative expenses

The breakdown of general and administrative expenses for the periods ending September 30, 2008 and 2007 is as follows:

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Personnel expenses | **32,770** | 11,689 | 23,107 | 7,946 |
| Depreciation and amortisation expenses | **3,485** | 1,268 | 2,439 | 856 |
| Money collection expenses | **2,422** | 911 | 2,053 | 695 |
| Legal and consultancy expenses | **1,287** | 378 | 1,059 | 466 |
| Motor vehicle expenses | **2,878** | 1,062 | 1,864 | 645 |
| Water, electricity and communication expenses | **1,016** | 375 | 736 | 258 |
| Office supplies expenses | **402** | 187 | 278 | 99 |
| Provision for employee termination benefits | **164** | 52 | 260 | 79 |
| Other | **11,015** | 3,705 | 7,699 | 3,008 |
| | **55,439** | 19,627 | 39,495 | 14,052 |

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

## 19. Personnel and depreciation / amortization expenses

### (a) Personnel expenses

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Wages and salaries | **148,165** | 55,551 | 104,294 | 38,626 |
| Provision for employee termination benefits | **926** | 308 | 1,454 | 484 |
| Cost of defined contribution plan (employer's share of social security premiums) | **27,746** | 10,566 | 19,658 | 7,348 |
| | **176,837** | 66,425 | 125,406 | 46,458 |

### (b) Depreciation and amortization expenses

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Selling and marketing expenses | **28,197** | 10,270 | 21,950 | 7,707 |
| General and administrative expenses | **3,485** | 1,268 | 2,439 | 856 |
| | **31,682** | 11,538 | 24,389 | 8,563 |

## 20. Financial income and expense

Financial income/ (expense) for the periods ended September 30, 2008 and 2007 can be summarized as follows:

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| **Financial income** | | | | |
| Foreign exchange gains | 364 | 301 | 221 | 18 |
| Income from deposits | 1,933 | 1 | 3,684 | 541 |
| | **2,297** | **302** | **3,905** | **559** |
| **Financial expense** | | | | |
| Financial expense of long-term defined employee benefit plan | **(378)** | (126) | (340) | (113) |
| Foreign exchange losses | **(648)** | (382) | (213) | (10) |
| Bank financial expense | **(1,475)** | (1,412) | - | - |
| Other financial expense | **(89)** | (15) | (193) | (163) |
| | **(2,590)** | (1,935) | (746) | (286) |
| **Financial income, net** | **(293)** | (1,633) | 3,159 | 273 |

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

## 21. Other income / (expense), net

a) Other income

The breakdown of other income / (expense), net for the periods ended September 30, 2008 and 2007 is as follows:

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Gain on sale of scrap materials | **3,625** | 1,397 | 3,301 | 1,105 |
| Other income | **2,474** | 847 | 1,751 | 735 |
| | **6,099** | 2,244 | 5,052 | 1,840 |

b) Other expense

| | **January 1 - September 30, 2008** | July 1 - September 30, 2008 | January 1 - September 30, 2007 | July 1 - September 30, 2007 |
|---|---|---|---|---|
| Loss on sale of property and equipment and intangible assets | **(1,092)** | (255) | (693) | (332) |
| Litigation and other provision expense | **(1,165)** | (153) | (743) | (224) |
| Other | **(770)** | (229) | (520) | (246) |
| | **3,027** | (637) | (1,956) | (802) |

## 22. Earnings per share and dividends

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/period. The basic EPS for the period ended September 30, 2008 and 2007 are 1.216 (full YTL) and 0,993 (full YTL), respectively. There are no dilutive instruments outstanding hence fully diluted earnings per share are the same.

The Company has distributed dividend from profit of 2007 to its shareholders amounting to YTL 48,070 (full YTL 1.90 per share) in gross and capital bonus amounting to YTL 50,600 (full YTL 2.00 per share).

## 23. 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.

Listed companies are subject to dividend requirements regulated by the Turkish Capital Market Board as follows:

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

### 23. Legal reserves and retained earnings (continued)

In addition, based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be accordance with CMB regulations or in the statutory financial statements.

In accordance with the Capital Market Board regulations, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB's profit distributions are considered to be deductible when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

In accordance with the Capital Market Board regulations the quoted companies are required to distribute a minimum of 20% of their distributable profits over financial statements prepared in accordance with CMB Accounting Standards. This distributable may be made by either cash or bonus shares or as a combination of both over the minimum limit of 20% depending on the decisions of the General Assemblies of the companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

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

As of September 30, 2008 and December 31, 2007, extraordinary reserves, legal reserves and net profit for the period/year (as per the statutory financial statements of the Company) are as follows (YTL):

| | **September 30, 2008** | December 31, 2007 |
|---|---:|---:|
| Extraordinary reserves | **8,576** | 6,588 |
| Legal reserves | **19,469** | 14,788 |
| Net profit for the period/year | **92,526** | 105,341 |

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

## 24. Contingencies and commitments

(i) As of September 30, 2008 and December 31, 2007, the total amount of outstanding lawsuits filed against the Company is YTL 2,346 and YTL 1,274 in historical terms, respectively, which is recorded as provision and presented in other payables and accrued liabilities.

(ii) Letters of guarantee obtained from banks and given to various institutions amounted to YTL 10,828 at September 30, 2008 and YTL 10,839 at December 31, 2007.

(iii) As of September 30, 2008 the Company has operating lease commitments for each of the following periods:

| | YTL |
|---|---|
| Not later than one year | 161 |
| Later than one year and not later than five years | 212 |
| Later than five years | 35 |

(iv) 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.