BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 TOGETHER WITH AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of BİM Birleşik Mağazalar A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of BİM Birleşik Mağazalar A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Company Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition	
The Group operates in hard discount retail markets on domestic and abroad with 6.765 stores in total as of 31 December 2017. In addition to being the most important financial statement line item for the retail industry, revenue is one of the most important criteria for evaluation of performance and results of strategies applied by the management. Revenue, amounting to TRY 24,779,408 for the year ended 31 December 2017 is material to the financial statements and its audit is a key audit matter since the completeness and accruacy of revenue transactions are difficult to audit due to the high volume of transactions due to number of stores and the high number of sales points.	The audit procedures performed include a combination of validation of key controls in revenue recognition process, substantive tests and analytical procedures. The revenue recognition process was understood by way of inquiries with the process owners and the design effectiveness, implementation and operating effectiveness of key controls were evaluated with the support of our experts in Information Technology (“IT”). Access to programs, program changes and program development controls were tested by our IT experts. The controls of accounting entry of sales data to make sure that it can only be performed by the approval of accounting department, automatic transfers of sales data to accounting system, sales prices to cashboxes and sales transactions of stores to the accounting system at the end of the day were tested to make sure that pricing and invoicing of revenue are complete and accurate. Testing on a sample basis was performed for recognition of daily transfers made to the cash boxes. Substantive analytical procedures were performed in order to assess the variance in revenue. Annual inflation rate used in the analytics was obtained from independent sources, the square meters were tested by tracing to documents of stores on a sample basis. Thus, the reliability of data used was validated. Product and category based sales and gross margins were compared to prior periods and theie consistency was evaluated.

3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
Fair value of land and buildings	
Land and buildings of the Group which are classified under property, plant and equipment are carried at revalued amounts as disclosed in Notes 2, 10 and 16 to the consolidated financial statements. As of 31 December 2017, the carrying value of land and buildings amounting to TRY 1,748,953 was determined by a real estate appraisal company licensed by the Capital Markets Board of Turkey. The most commonly used method in determination of such value is market comparison approach. Fair value measurement of land and buildings is important to our audit due to the fact that land and buildings constitute a significant portion of total assets of the Group and the valuation methods applied include significant estimates and assumptions such as average comparable value per square meter, bargaining share and adjustment for location.	The technical competence and independence of the real estate appraisal company that performed the revaluation study have been verified through the control of relevant licenses, contracts and management representations. The revaluation reports of all land and buildings were obtained and the following audit procedures have been performed on the valuation reports of particular assets that show a material increase in fair value during the period and the carrying amount in the consolidated financial statements. - The appropriateness of the valuation method applied was challenged considering best use of the underlying real estate. The consistency of square meters used in the determination of fair value was traced to land registry of real estates concerned. - Different average sales price comparison values per square meter used by the real estate appraisal company were examined by sampling and comparison to market prices available and the sensitivities of estimations such as bargaining share, location adjustment have been evaluated. - The fair values disclosed in valuation reports were checked and agreed to disclosures in the consolidated financial statements and the adequacy of disclosures was assessed.

4. Responsibilities of Management and Those Charged with Governance for the *Consolidated* Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 7 March 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Adnan Akan, SMMM
Partner

Istanbul, 7 March 2018

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

ASSETS

	Notes	Audited 31 December 2017	Audited 31 December 2016
Current assets		**3.602.483**	**2.654.633**
Cash and cash equivalents	4	**980.378**	**578.435**
Trade receivables		**877.380**	**645.505**
- Trade Receivables, Other Parties	7	877.380	645.505
Other receivables	8	**46.465**	**51.289**
- Due from related parties		25.069	39.531
- Other receivables, Other parties		21.396	11.758
Inventory	9	**1.456.249**	**1.119.020**
Prepaid expenses	13	**42.837**	**107.328**
Current income tax assets	24	**174.182**	**131.528**
Other current assets	15	**24.992**	**21.528**
Non-current assets		**3.423.192**	**2.334.504**
Financial investments	5	**309.731**	**193.429**
Other receivables		**4.463**	**4.012**
- Other Receivables, Other Parties		4.463	4.012
Property, plant and equipment	10	**3.057.725**	**2.090.824**
Intangible assets	11	**13.193**	**7.402**
- Other intangible assets		13.193	7.402
Prepaid expenses	13	**35.229**	**36.112**
Deferred tax assets	24	**2.851**	**2.725**
Total assets		**7.025.675**	**4.989.137**

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.
CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

LIABILITIES AND EQUITY

	Notes	Audited 31 December 2017	Audited 31 December 2016
Current liabilities		**3.830.814**	**2.967.849**
Trade payables		**3.376.604**	**2.625.175**
- Due to Related parties	26	356.137	272.520
- Due to Third Parties	7	3.020.467	2.352.655
Other payables		**141**	**192**
- Due to Third Parties		141	192
Deferred revenue		**23.396**	**14.559**
Employee benefit obligations		**76.494**	**51.331**
Short term Provisions		**70.614**	**49.049**
- Provision for Employee Benefits	12	14.395	11.032
- Other Short term Provisions	12	56.219	38.017
Current Income Tax Liabilities	24	**214.182**	**172.597**
Other Current Liabilities	15	**69.383**	**54.946**
Non-current Liabilities		**236.981**	**120.111**
Non-current provisions		**99.142**	**77.671**
- Provision for Employee Benefits	14	99.142	77.671
Deferred Tax Liabilities	24	**137.839**	**42.440**
Equity		**2.957.880**	**1.901.177**
Equity holders of the parent		**2.957.880**	**1.901.177**
Paid-in Share Capital	16	**303.600**	**303.600**
Treasury Shares	16	**(61.111)**	**(61.111)**
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		**744.672**	**231.603**
- Property and equipment revaluation reserve	10,16	810.869	279.957
- Revaluation gain/loss on defined benefit plans	14	(66.197)	(48.354)
Other Comprehensive Income/Expense to be Reclassified to Profit or Loss		**125.983**	**(8.205)**
- Currency translation difference		(18.646)	(36.956)
- Fair value changes in available-for-sale financial assets	10	144.629	28.751
Restricted Reserves	16	**340.409**	**296.387**
Retained Earnings	**16**	**641.326**	**468.044**
Net Income For The Period		**863.001**	**670.859**
Total Liabilities and Equity		**7.025.675**	**4.989.137**

The accompanying notes from an integral part of these consolidated financial statements.

BİM BİRLEŞİK MAĞAZALAR A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

	Notes	Audited 31 December 2017	Audited 31 December 2016
INCOME OR LOSS			
Revenue	17	24.779.408	20.071.717
Cost of sales (-)	17	(20.553.994)	(16.708.737)
GROSS PROFIT		**4.225.414**	**3.362.980**
Marketing Expenses (-)	18	(2.770.661)	(2.245.309)
General Administrative Expenses (-)	18	(415.774)	(334.415)
Other Operating Income	20	31.605	24.915
Other Operating Expense (-)	20	(10.907)	(10.573)
OPERATING PROFIT		**1.059.677**	**797.598**
Income from investing activities	23	3.037	11.791
Expense from investing activities	23	(1.575)	-
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		**1.061.139**	**809.389**
Financial Income	21	45.203	62.664
Financial Expense (-)	22	(10.489)	(22.872)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**1.095.853**	**849.181**
- Current Tax Expense	24	(217.609)	(172.222)
- Deferred Tax Expense	24	(15.243)	(6.100)
PROFIT FROM CONTINUED OPERATIONS		**863.001**	**670.859**
NET INCOME FOR THE PERIOD		**863.001**	**670.859**
Profit for the Period attributable to			
Non-controlling interest		**-**	**-**
Equity holders of the parent		**863.001**	**670.859**
Earnings per share			
Earnings per share from continued operations (Full TRY)	25	**2,854**	**2,21**
Earnings per share from discontinued operations		**-**	**-**
Other comprehensive loss			
Items not to be reclassified to profit / loss:		**513.069**	**(13.326)**
Gains/(losses) on remeasurements of defined benefit plans, net		(17.843)	(13.326)
Gains/(losses) on revaluation of property, plant and equipment, net		530.912	-
Items to be reclassified to profit / loss:		**134.188**	**(32.081)**
Gains/(losses) on revaluation of available for sale financial assets, net		115.878	9.339
Currency translation difference		18.310	(41.420)
Other comprehensive income/(loss)		**647.257**	**(45.407)**
Total comprehensive income		**1.510.258**	**625.452**
Total comprehensive income attributable to			
Non-controlling interest		**-**	**-**
Equity holders of the parent		**1.510.258**	**625.452**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

				Audited						
				Other comprehensive income not to be reclassfieed to profit or loss		Other comprehensive income to be reclassfied to profit or loss		Retained earnings		
	Paid-in share capital	Treasury shares	Restricted reserves	Tangible assets fair value reserve	Actuarial gain/loss from employee benefits	Currency translation differences	Financial assets fair value reserve	Retained earnings	Net income for the period	Total Equity
Balance at 1 January 2016	303.600	-	203.399	279.957	(35.028)	4.464	19.412	311.424	583.131	1.670.359
Transfers	-	-	31.877	-	-	-	-	551.254	(583.131)	-
Increase / decrease of shares due to repurchase transactions	-	(61.111)	61.111	-	-	-	-	(61.111)	-	(61.111)
Dividend (Note 16)	-	-	-	-	-	-	-	(333.523)	-	(333.523)
Total comprehensive income	-	-	-	-	(13.326)	(41.420)	9.339	-	670.859	625.452
Balance at 31 December 2016	**303.600**	**(61.111)**	**296.387**	**279.957**	**(48.354)**	**(36.956)**	**28.751**	**468.044**	**670.859**	**1.901.177**
Balance at 1 January 2017	**303.600**	**(61.111)**	**296.387**	**279.957**	**(48.354)**	**(36.956)**	**28.751**	**468.044**	**670.859**	**1.901.177**
Transfers	-	-	**44.022**	-	-	-	-	**626.837**	**(670.859)**	-
Dividend (Note 16)	-	-	-	-	-	-	-	**(453.555)**	-	**(453.555)**
Total comprehensive income	-	-	-	**530.912**	**(17.843)**	**18.310**	**115.878**	-	**863.001**	**1.510.258**
Balance at 31 December 2017	**303.600**	**(61.111)**	**340.409**	**810.869**	**(66.197)**	**(18.646)**	**144.629**	**641.326**	**863.001**	**2.957.880**

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

	Notes	Audited 1 January 31 December 2017	Audited 1 January 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**1.410.479**	**1.185.222**
Profit for the period		**863.001**	**670.859**
Adjustments to reconcile profit for the period		**505.470**	**420.195**
Depreciation and amortisation	10,11,19	**256.547**	**213.695**
Provisions for impairments		**6.146**	**6.098**
- Provisions for impairments of inventories	9	6.041	5.992
- Allowance for doubtful receivables	8	105	106
Adjustments related to provisions		**77.991**	**70.817**
- Provision for employment termination benefits		59.789	56.416
- Legal provisions	12	5.661	4.767
- Other provisions	12	12.541	9.634
Deferred financing income arising from forward purchases		**(25.083)**	**(17.512)**
Adjustments related to interest income and other financial instruments	21	**(39.396)**	**(19.434)**
Fair value losses (gains) related fixes		**(2.125)**	**-**
Adjustments for tax income/ losses	24	**232.852**	**178.322**
(Gain)/Loss on sale of property and equipment	23	**1.575**	**(5.075)**
Other adjustments related to cash flows arising from investing and financing activities		**(3.037)**	**(6.716)**
Changes in net working capital		**278.198**	**277.236**
Increases/decreases in inventories		(343.270)	(149.745)
Increases/decreases in trade receivables		(231.875)	(119.820)
Increases/decreases in other assets		4.144	(7.782)
Increases/decreases in trade payables		776.512	533.729
Increases/decreases in other payables		(51)	81
Other net working capital		72.738	20.773
Net cash generated from operating activities		**1.646.669**	**1.368.290**
Income taxes paid	24	**(215.251)**	**(166.175)**
Employee benefits paid	14	**(21.064)**	**(16.914)**
Other cash inflows	8	**125**	**21**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(586.526)**	**(537.641)**
Proceeds from sale of tangible and intangible assets	10,11,23	**19.027**	**18.037**
Purchases of tangible and intangible assets	10,11	**(610.004)**	**(554.979)**
- Purchases of tangible assets		(601.145)	(550.512)
- Purchases of intangible assets		(8.859)	(4.467)
Cash advances given		**1.414**	**(7.415)**
Dividend income	23	**3.037**	**6.716**
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(419.915)**	**(395.223)**
Proceeds from financial liabilities		**-**	**(20.260)**
Dividend paid		**(453.555)**	**(333.523)**
Participation (profit) shares and cash inflows from other financial instruments		**33.640**	**19.671**
Cash outflows related to the company's own shares and receivables based on other equity instruments		**-**	**(61.111)**
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**404.038**	**252.358**
D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(7.851)**	**(22.475)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**396.187**	**229.883**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**577.519**	**347.636**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)	4	**973.706**	**577.519**

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

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

1. Organization and nature of operations of the Group

BİM Birleşik Mağazalar Anonim Şirketi ("BİM" or "the Company") was established on 31 May 1995 and commenced its operations in September 1995. The registered address of the Group is Ebubekir Cad. No: 73 Sancaktepe, İstanbul.

The Company is engaged in operating retail stores through its retail shops throughout Turkey, which sell an assortment of approximately 700 items, including a number of private labels. The Company is publicly traded in Istanbul Stock Exchange (ISE) since July 2005.

The Company established a new company named BIM Stores SARL on 19 May 2008 with 100% ownership in Morocco which is engaged in hard discount retail sector and started to operate on 11 July 2009. BIM Stores SARL financial statements are consolidated by using the full consolidation method.

The Company established a new company named BIM Stores LLC on 24 July 2012 with 100% ownership in Egypt which is engaged in hard discount retail sector and first stores of BIM Stores LLC has been opened in April 2013. BIM Stores LLC financial statements are consolidated by using the full consolidation method as of 31 December 2017.

At the meeting dated 22 June 2017, the Board of Directors of the Company decided to establish a company with a capital of TL 5,000,000 (full TL), which is a 100% subsidiary to provide the supply and packaging of various foodstuffs, especially rice and pulses, the Executive Committee of the Company has been authorized to execute all procedures for the GDP Gıda Paketleme ve Sanayi ve Ticaret A.Ş. ("GDP Gıda") , became a legal entity and started its activities with the completion of the registration procedures on July 13, 2017. GDP Gıda financial statements are consolidated by using the full consolidation method as of 31 December 2017.

Hereinafter, the Company and its consolidated subsidiaries together will be referred to as "the Group".

Shareholder structure of the Group is stated in Note 16. The consolidated financial statements were authorized for issue on 7 March 2018 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 issues.

For the periods ended 31 December 2017 and 2016, the average number of employees in accordance with their categories is shown below:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Office personnel	**2.703**	2.291
Warehouse personnel	**4.250**	3.766
Store personnel	**33.089**	29.453
Total	**40.042**	**35.510**

As of 31 December 2017, the Group operates in 6.765 stores (31 December 2016: 6.167).

2. Basis of preparation of financial statements

2.1 Basis of presentation

"Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS

The consolidated financial statements are presented in accordance with formats that are determined in "Announcement regarding TAS Taxonomy" and "Financial Statement Examples and Instructions" by Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA") on 2 June 2016.

Going concern assumption

The consolidated financial statements including the accounts of the Group have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

2.2 New and amended International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The Group has adopted the new and revised standards and interpretations issued by the "POAASA" and effective from January 1, 2017, related to its business activity.

a. The new standards, amendments and interpretations which are effective for the financial statements as of 1 January 2017

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The standard has no impact on the financial position or performance of the Group.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The standard has no impact on the financial position or performance of the Group.

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- Annual improvements 2014–2016;

  - IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

The mentioned standards and amendments have no material impact on Group's financial statements.

b. Standards and amendments issued but not yet effective as of 31 December 2017:

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.

- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.

- IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The possible effects of the standard on the Group's financial position and performance is being evaluated.

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and;

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39

  It is unlikely that this change will have a significant effect on the Group's financial position or performance.

- Amendment to IAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The standard has no impact on the financial position or performance of the Group.

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2019. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard has no impact on the financial position or performance of the Group.

- IAS 28 "Investments in associates and joint ventures": This amendment clarifies that investments in associates and joint ventures are accounted for in accordance with TFRS 9 Financial Instruments if investments in associates or joint ventures are held indirectly or directly through an enterprise or similar enterprise it is clear that the ability to choose to measure the fair value difference in profit or loss reflected is valid at the time of initial recognition of each subsidiary or business partnership. The amendment will apply to annual periods beginning on or after 1 January 2019. Early application is allowed.

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- IFRS 17 "Insurance Contracts" is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounting of all entities that issue investment contracts with voluntary participation features. The standard has no impact on the financial position or performance of the Group.

- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The standard has no impact on the financial position or performance of the Group.

- TFRS Comment 23 "Uncertainties in taxation" are effective for annual reporting periods beginning on or after 1 January 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee clarified that if uncertainty in tax practices had previously been applied, the uncertainty should apply to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' standard instead of IAS 12. TFRS Comment 23 provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainty arises when a tax application by a company is unknown to the tax authority. For example, especially if an expense is recognized as a deduction or if the tax return is uncertain in the tax statement regarding whether or not to include a certain amount in the tax calculation. TFRS Comment 23 is a vague tax practice is uncertain; taxable income, expense, asset or liability, tax base, tax rate, and tax rates. The standard has no impact on the financial position or performance of the Group.

2.3. Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2017 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including the mandatory disclosures.

2.4 Presentation and functional currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira ("TRY"), which is the functional of the Company and the presentation currency of the Group. The functional currency of the Company's subsidiary, BIM Stores SARL, is Moroccan Dirham ("MAD").

In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the TRY exchange rate for purchases of MAD at the balance sheet date, TRY 1 = MAD 2,4595 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY 1 = MAD 2,6520. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The functional currency of the Company's other subsidiary, BIM Stores LLC is Egyptian Pound ("EGP"). In the consolidated financial statements, EGP amounts presented in the balance sheet and in the statement of comprehensive income are translated into Turkish Lira at the TRY exchange rate for purchase of EGP at the balance sheet date, TRY 1 = EGP 4,7097, at the average TRY exchange rate for purchases of EGP, is TRY 1 = EGP 4,8816. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

2. Basis of preparation of financial statements (Continued)

2.5 Comparatives and restatement of prior periods' financial statements

The financial statements of the Group for the current period are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. Comparative information is reclassified in the current period in order to comply with the presentation of the financial statements. In the current period, there has been no classification of past turnover.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company BİM and its subsidiaries prepared for the period ended 31 December 2017. Subsidiaries are consolidated from the date on which control is transferred to the Group. The consolidated financial statements cover BİM and the subsidiaries with 100% control.

Subsidiaries are consolidated by using the full consolidation method; therefore, the carrying value of subsidiaries is eliminated against the related shareholders' equity.

Intercompany balances and transactions between BİM and its subsidiaries, including unrealized intercompany profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

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.

Accounting estimates

The preparation of financial statements in accordance with the CMB Accounting Standards require the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in income statement in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are mainly related with accounting of employee termination benefits, provision for inventories, revaluation of land and buildings, assessment of economic useful lives of property, plant and equipment and intangibles and provision for income taxes.

2.6. Summary of Significant Accounting Policies

Revenue recognition

Revenue is recognized on accrual basis over the amount obtained or the current value of the amount to be obtained when the delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is reasonably assured. Net sales represent the invoiced value of goods less any sales returns. Retail sales are done generally with cash or credit cards.

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Sales of Goods

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer all the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Financial income

Profit shares income from participation banks are recognized in accrual basis.

Dividend income

Dividend income from investments. Dividend payables are recognized in the period that the profit distribution is declared.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables comprise trade receivables, credit card receivables and other receivables with fixed or determinable payments and are not quoted in an active market; which have an average maturity of 11 days term (31 December 2016: 10 days) as of balance sheet date are measured at original invoice amount and if they have long term maturity, the imputing interest is netted off and the provision of doubtful receivable is deducted. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate and credit card receivables are measured at the original invoice. Estimate is made for the doubtful provision when the collection of the trace receivable is not probable. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method.

Rebates which generate from sales from ordinary operations are deducted from cost of inventories and associated with cost of sales.

Net realizable value is the estimated selling price less estimated costs necessary to realize sale.

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Property, plant 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. Group revaluates the amounts of their lands and buildings every 3 years unless there is a change in the circumstances. All other property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related 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 ready for 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. If the asset recognition criteria are met, 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. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property and equipment revaluation reserve directly in equity; all other decreases are charged to the income statement.

Depreciation is provided on cost or revalued amount of property and equipment except for land and construction in progress 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:

	Duration (Years)
Land improvements	5
Buildings	25
Leasehold improvements	5- 10
Machinery and equipment	4- 10
Vehicles	5- 10
Furniture and fixtures	5- 10

The economic useful life, the present value and the depreciation method are regularly reviewed for possible effects of changes in estimates, the method used and the period of depreciation are closely aligned with the economic benefits to be gained from the related asset and are recognized on a prospective basis.

When a revaluated asset is sold, revaluation reserve account is transferred to retained earnings.

2. Basis of preparation of financial statements (Continued)

2.6. 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 recognized in the statement of income in the expense category consistent with the function of the intangible asset.

The Group 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.

The recoverable amount of property and equipment is the greater of net selling price and value in use. 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 while the net selling price is the amount obtainable from the sale of an asset after cost of sales deducted. For the purposes of assessing impairment, assets are grouped by regions which are determined operationally (cash-generating units).

Financial assets

Classification

The group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables and cash and cash equivalents are classified in this category.

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary financial assets that are recorded as available-for-sale financial assets are recognized in other comprehensive income. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Offsetting financial instruments

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

Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

All the normal sales or purchase transactions of financial assets are recorded at the transaction date that the Group guaranteed to purchase or sell the financial asset. These transactions generally require the transfer of financial asset in the period specified by the general conditions and the procedures in the market.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Group committed to purchase or sell.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

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 amortized cost at the reversal date.

Provision for impairment is provided when there is an objective evidence of uncollectibility of trade receivables. Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Trade payables

Trade payables which generally have an average of 53 days term (31 December 2016: 51 days) are initially recorded at original invoice amount and carried at amortized cost less due date expense. Due date expense is accounted for under cost of sales. This amount is the fair value of consideration to be paid in the future for goods and services received, whether or not billed.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of such transactions. Exchange rate differences arising on reporting monetary items at rates different from those at which they were initially recorded or on the settlement of monetary items or are recognized in the comprehensive income statement in the period in which they arise.

Foreign currency conversion rates used by the Group for the related period ended are as follows:

	USD/TRY (full)	EUR/TRY (full)
31 December 2017	**3,7719**	**4,5155**
31 December 2016	3,5192	3,7099

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Earnings per share

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the period concerned. The weighted average number of shares outstanding during the year has been adjusted in respect of free shares issued without corresponding increase in resources

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "Bonus Share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events after balance sheet date

Post year/period-end events that provide additional information about the Group'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, contingent assets and contingent liabilities

i) Provisions

Provisions are recognized when the Group 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.

ii) Contingent assets and liabilities

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

Leases

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 recognized as an expense in the statement of income on a straight-line basis over the lease term.

Related parties

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity,
- ii) has significant influence over the reporting entity, or,
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

b) An entity is related to a reporting entity if any of the following conditions applies:

- i) The entity and the reporting entity are members of the same group,
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- iii) Both entities are joint ventures of the same third party,
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- vi) The entity is controlled or jointly controlled by a person identified in (a),
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Income taxes

Current Income Taxes and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income. In such case, the tax is recognized in shareholders' equity or other comprehensive income.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Employee Benefits

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 detailed in Note 14, the employee benefit liability is provided for in accordance with TAS 19 "Employee Benefits" and is based on an independent actuarial study.

Actuarial gains and losses that calculated by professional actuaries, are recognized in the actuarial gain/loss fund regarding employee termination benefits in the equity. Recognized gains and losses shall not be transferred to comprehensive statement of income in the following periods. Reserve for employee termination benefits is recognized to financial statements that calculated with the discount rate estimated by professional actuarial.

b) Unused vacation

Unused vacation rights accrued in the consolidated financial statements represents estimated total provision for potential liabilities related to employees' unused vacation days as of the balance sheet date..

3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Group. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

The senior management of the Group makes strategic decisions as a whole over the operations of the Group as the Group operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

4. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash on hand	**183.359**	122.780
Banks		
- demand deposits	**173.896**	99.140
- profit share deposits	**510.758**	267.262
Cash in transit	**112.365**	89.253
	980.378	**578.435**
Less: Accrual for profit share	**(6.672)**	(916)
Cash and cash equivalents for cash flow	**973.706**	**577.519**

As of 31 December 2017 and 31 December 2016 there is no restricted cash. As of 31 December 2017, total profit share deposits are in TRY (31 December 2016: TRY 231.534) and the gross rate for profit share from participation banks for TRY is gross 10.71% per annum (31 December 2016: gross 8.13% per annum) and average maturity is 69 days (31 December 2016: 50 days). Since the profit share deposits are not used for investment purposes by the Group, are readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value, profit share deposits are classified as cash and cash equivalents.

5. Financial assets

Financial investments amounting to TRY 309.731 as of 31 December 2017 are detailed below: (31December 2016: TRY 193.429):

a) Subsidiaries

The details of subsidiaries and associates' financial investment of the Group are as below:

Name of subsidiary	Share (%)	31 December 2017	31 December 2016
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. ("İdeal Standart") (*)	100	**12.590**	12.590
		12.590	**12.590**

(*) İdeal Standart is carried at cost with the consideration of possible value and the financial results are not included in the scope of consolidation since the Group does not have any significant effect on the financial results of the Group; as of 31 December 2017, the total assets and liabilities of the current year are not more than 1% of the total assets and ceiling of the Group in the current year.

b) Available-for-sale financial assets

The details of available-for-sale financial assets and fair values of the Group are as below:

Name of subsidiary	Share (%)	31 December 2017	31 December 2016
FLO Mağazacılık ve Pazarlama A.Ş. (*)	11,5	**297.141**	180.839
		297.141	**180.839**

(*) As of 31 December 2017 the fair value of available-for-sale financial asset is calculated by an independent valuation company by using discounted cash flow analysis method. The netoff deferred tax amount of increase in fair value of available-for-sale financial asset which is amounting to TRY116.302 is shown net under "Fair Value Changes in Available-For-Sale Financial Assets" in other comprehensive income. ±1 change effect of the discount rate used as 18.1% (31 December 2016: 17,1%) in the calculations is measured (19) / 22 full million TL (31 December 2016: (21)/25 full million TL) and as ± 1% change effect of the final growth rate used as 5.7% is 21 / (18) full million TL (31 December 2016: 14/(12) full million TL).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

6. Financial liabilities

None (31 December 2016: None).

7. Trade receivables and payables

a) Trade receivables, other parties, net

	31 December 2017	31 December 2016
Credit card receivables	**877.380**	645.505
	877.380	**645.505**

As of 31 December 2017 the average term of credit card receivables is 11 days (31 December 2016: 11 days).

b) Trade payables, other parties, net

	31 December 2017	31 December 2016
Trade payables	**3.042.960**	2.368.411
Unincurred rediscount expense (-)	**(22.493)**	(15.756)
	3.020.467	**2.352.655**

As of 31 December 2017 the average term of trade payables is 53 days (31 December 2016: 51 days). As of 31 December 2017 letters of guarantee and cheques are amounting to TRY76.105 and mortgages are amounting to TRY40.601 (31 December 2016: TRY74.324 letters of guarantee and cheques, TRY44.814 mortgages).

8. Other receivables

a) Other receivables from related parties

	31 December 2017	31 December 2016
Receivables from related parties	**25.069**	39.531
	25.069	**39.531**

b) Other receivables from other parties

	31 December 2017	31 December 2016
Other receivables	**21.396**	11.758
Doubtful receivables	**425**	445
Less: Allowance for doubtful receivables	**(425)**	(445)
	21.396	**11.758**

As of 31 December 2017 and 31 December 2016, the Group does not have any overdue receivables except for doubtful receivables.

Current period movement of allowance for doubtful receivables is as follows:

	2017	2016
Balance at the beginning of the period - 1 January	**445**	360
Allowance for doubtful receivables	**105**	106
Collection in current year	**(125)**	(21)
Balance at the end of the period - 31 December	**425**	**445**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

9. Inventories

	31 December 2017	31 December 2016
Trade goods, net	**1.442.833**	1.108.209
Other	**13.416**	10.811
	1.456.249	**1.119.020**

Cost of inventories amounting to TRY20.553.994 (31 December 2016: TRY16.708.737) expensed under cost of sales.

The movement of impairment for inventories in 2017 is as follows:

	2017	2016
Balance at the beginning of the period - 1 January	**5.992**	7.258
Current year reversal	**(5.992)**	(7.258)
Allowance for impairment	**6.041**	5.992
Balance at the end of the period - 31 December	**6.041**	**5.992**

As of 31 December 2017, allowance for impairment on trade goods amounting to TRY6.041 (31 December 2016: TRY5.992).

10. Property, plant and equipment

The movements of property and equipment and the related accumulated depreciation for the periods ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Disposals	Transfers	Netoff	Revaluation	Impairment	Currency translation differences	31 December 2017
Cost or revalued amount									
Land	532.773	17.685	-	-	-	257.938	(220)	1.688	809.864
Land improvements	9.389	2.385	(299)	1.651	-	-	-	-	13.126
Buildings	542.005	22.314	(1.892)	74.318	(58.146)	359.884	(199)	840	939.124
Leasehold improvements	651.107	144.173	(8.579)	4.392	-	-	-	19.460	810.553
Machinery and equipment	784.924	176.464	(20.075)	4.809	-	-	-	11.748	957.870
Vehicles	142.003	48.773	(13.901)	1.863	-	-	-	1.843	180.581
Furniture and fixtures	305.452	62.781	(6.268)	1.246	-	-	-	2.810	366.021
Construction in progress	39.486	126.570	(5.129)	(88.279)	-	-	-	180	72.828
	3.007.139	601.145	(56.143)	-	(58.146)	617.822	(419)	38.569	4.149.967
Less : Accumulated depreciation									
Land improvements	(5.712)	(1.353)	-	-	-	-	-		(7.065)
Buildings	(28.110)	(30.104)	92	-	58.146	-	-	(24)	-
Leasehold improvements	(265.211)	(68.513)	4.446	-	-	-	-	(7.270)	(336.548)
Machinery and equipment	(348.280)	(83.772)	14.534	-	-	-	-	(6.558)	(424.076)
Vehicles	(72.235)	(28.571)	10.633	-	-	-	-	(1.038)	(91.211)
Furniture and fixtures	(196.767)	(41.130)	5.843	-	-	-	-	(1.288)	(233.342)
	(916.315)	(253.443)	35.548	-	58.146	-	-	(16.178)	(1.092.242)
Net book value	2.090.824								3.057.725

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

10. Property, plant and equipment (Continued)

	1 January 2016	Additions	Disposals	Transfers	Currency translation difference	31 December 2016
Cost or revalued amount						
Land	505.940	28.046	-	-	(1.213)	532.773
Land improvements	7.589	1.441	-	359	-	9.389
Buildings	398.057	25.283	(899)	127.824	(8.260)	542.005
Leasehold improvements	529.244	123.079	(6.978)	4.507	1.255	651.107
Machinery and equipment	645.720	155.237	(12.259)	3.784	(7.558)	784.924
Vehicles	125.910	31.250	(19.389)	4.188	44	142.003
Furniture and fixtures	255.481	54.507	(3.906)	660	(1.290)	305.452
Construction in progress	51.350	131.669	(615)	(141.322)	(1.596)	39.486
	2.519.291	**550.512**	**(44.046)**	**-**	**(18.618)**	**3.007.139**
Less : Accumulated depreciation						
Land improvements	(4.603)	(1.109)	-	-	-	(5.712)
Buildings	-	(28.444)	49	-	285	(28.110)
Leasehold improvements	(210.511)	(56.018)	3.760	-	(2.442)	(265.211)
Machinery and equipment	(290.266)	(68.596)	9.574	-	1.008	(348.280)
Vehicles	(62.911)	(23.219)	14.048	-	(153)	(72.235)
Furniture and fixtures	(166.325)	(33.848)	3.655	-	(249)	(196.767)
	(734.616)	**(211.234)**	**31.086**	**-**	**(1.551)**	**(916.315)**
Net book value	**1.784.675**					**2.090.824**

Depreciation expense amounting to TRY234.453 (1 January - 31 December 2016: TRY196.817) were accounted for in marketing expenses and TRY18.990 (1 January - 31 December 2016: TRY14.417) in general and administrative expenses for the period 1 January – 31 December 2017. The land and buildings were revalued and reflected to financial statements with their fair value. 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. 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 buildings would have been as follows as of 31 December 2017 and 2016, respectively:

	Land and building	
	31 December 2017	**31 December 2016**
Cost	**963.808**	849.273
Accumulated depreciation	**(135.052)**	(104.029)
	828.756	**745.244**

Fair values of land and buildings

An independent valuation of the group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2017. The revaluation surplus, as of 31 December 2017 net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'property and equipment revaluation reserve' in shareholders equity. The fair value of non-financial assets by valuation method is calculated by inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Valuation techniques used to derive level 2 fair values

Sale or purchase costs or tax deductions are not taken into account in assumption of Level 2 fair value of land and buildings. The most common valuation techniques used is market comparable method, and for somw land and biildings cost and income approach including discounted cash flow analysis are also used. Comparable value per square meter is determined based on assumptions such as bargaining share and adjustment for location in market comparable method.

10. Property, plant and equipment (Continued)

Market comparable method

A property's fair value is estimated based on comparison of sales and market data of similar or comparable properties. The revaluated property is compared with the sales of similar properties in the market or asked price and bid price.

Discounted cash flow method

Value assumption is conducted through discount method by taking into account the data of expenditure and revenue belong to the revaluated property. The reduction is associated with value and revenue converting the amount of revenue to value assumption. Either the ratio of proceeds or/and discount should be taken into consideration. Within this approach, Direct Capitalization of Income and Cash Flow Analysis are applied predominantly. During the application of Direct Capitalization of Income, rental data belong to the similar real estate in the same region where the property based in has been used. Unless enough data for probable ratio of capitalization is attained, the method aforementioned has not been applied on.

Cost approach

Instead of purchase of property, the probability of construction of the same of the property or another property provides the same benefit is taken into account. In practice the estimated value includes the amortization of old and less functional properties in case new one's cost exceeds the potential price to be paid for revaluation of the property.

It determines how transaction will be traded in the market and the approach and methods will be used in estimation of fair value of land and building. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into the valuation approach is price per square meter.

In the market comparable method, one of the methods applied during the valuation, room for negotiation has been considered and reconciliation has done for the positive and negative features of property with respect to the precedents.

Valuation processes of the group

The Group's finance department reviews the fair value of land and buildings for reporting purposes. On an annual basis, the Group engages external, independent and CMB licensed valuation firm.

Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as of balance sheet date. Group revaluates the amount of their lands and buildings every 3 years unless there is a change in the circumstances. The valuation of land and buildings was performed as of 31 December 2017.

The fair values of the land and buildings (administrative building, warehouses and stores) of the Group have been determined by a real estate appraisal company who has CMB license, holds a recognised and relevant professional qualification and has recent experience in the location and category of the the land and buildings.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

10. Property, plant and equipment (Continued)

The movement of revaluation fund of land and buildings owned by the Group are shown in the following table:

	2017	2016
Balance at the beginning of the period - 1 January	**279.957**	**279.957**
Revaluation increase	**615.277**	-
Deferred tax arising from revaluation increase	**(84.365)**	-
Balance at the end of the period - 31 December	**810.869**	**279.957**

As of 31 December 2017 and 31 December 2016, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	31 December 2017	31 December 2016
Furniture and fixtures	**137.015**	112.582
Machinery and equipment	**109.119**	98.136
Intangible assets and leasehold improvements	**76.982**	52.639
Vehicles	**22.311**	16.849
Land improvements	**4.015**	3.158
	349.442	**283.364**

Pledges and mortgages on assets
As of 31 December 2017 and 31 December 2016, there is no pledge or mortgage on property and equipment of the Group.

11. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Disposals	Currency translation differences	31 December 2017
Cost					
Right	**23.094**	**8.782**	**(179)**	**275**	**31.972**
Other intangible assets	**139**	**77**	**-**	**-**	**216**
	23.233	**8.859**	**(179)**	**275**	**32.188**
Accumulated amortization					
Right	**(15.782)**	**(3.052)**	**172**	**(232)**	**(18.894)**
Other intangible assets	**(49)**	**(52)**	**-**	**-**	**(101)**
	(15.831)	**(3.104)**	**172**	**(232)**	**(18.995)**
Net book value	**7.402**				**13.193**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

11. Intangible assets (Continued)

	1 January 2016	Additions	Disposals	Currency translation differences	31 December 2016
Cost					
Right	18.538	4.467	(145)	234	23.094
Other intangible assets	139	-	-	-	139
	18.677	**4.467**	**(145)**	**234**	**23.233**
Accumulated amortization					
Right	(13.290	(2.449)	143	(186)	(15.782)
Other intangible assets	(37)	(12)	-	-	(49)
	(13.327)	**(2.461)**	**143**	**(186)**	**(15.831)**
Net book value	**5.350**				**7.402**

As of 31 December 2017 amortisation expense amounting to TRY2.871 (1 January - 31 December 2016: TRY2.293) has been charged in marketing expenses and TRY233 (1 January - 31 December 2016: TRY168) in general and administrative expenses.

The intangible assets are amortized over estimated useful life which is 5 years. Major part of the rights is software licenses.

12. Provisions, contingent assets and liabilities

a) Short term provisions for employee benefits

Unused vacation amounting to TRY14.395 is shown on the current provisions for employee benefits amounting in the Group account of short term provisions for the period ended 31 December 2017 (31 December 2016: TRY11.032).

Current period movement of short term unused vacation provision is as follows;

	2017	2016
Balance at the beginning of the period - 1 January	**11.032**	6.312
Reversals during period	**(11.032)**	(6.312)
Provision of unused vacation	**14.395**	11.032
Balance at the end of the period - 31 December	**14.395**	**11.032**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

12. Provisions, contingent assets and liabilities (Continued)

b) Other short term provisions

	31 December 2017	31 December 2016
Legal provisions (*)	**23.578**	17.917
Other	**32.641**	20.100
Total	**56.219**	**38.017**

(*) As of 31 December 2017 and 31 December 2016, the total amount of outstanding lawsuits filed against the Group, TRY39.567 and TRY27.453 (in historical terms), respectively. The Group recognized provisions amounting to TRY23.578 and TRY17.917 for the related periods, respectively.

Current period movement of provision for lawsuits is as follows;

	2017	2016
Balance at the beginning of the period - 1 January	**17.917**	13.150
Provisions required	**5.661**	4.767
Balance at the end of the period - 31 December	**23.578**	**17.917**

Letter of guarantees, mortgages and pledges given by the Group

As of 31 December 2017 and 31 December 2016, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	31 December 2017				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	***94.086***	***93.139***	***250.870***	-	-
Guarantee	*94.086*	*93.139*	*250.870*	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D. Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
Total	**94.086**	**93.139**	**250.870**	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

12. Provisions, contingent assets and liabilities (Continued)

	31 December 2016				
	Total TRY equivalent	**TRY**	**USD**	**Euro**	**Moroccan Dirham**
A. Total amount of guarantees, pledges and mortgages given in the name of	***16.285***	***15.402***	***250.870***	-	-
Guarantee	*16.285*	*15.402*	*250.870*	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
Total	**16.285**	**15.402**	**250.870**	-	-

Insurance coverage on assets

As of 31 December 2017 and 31 December 2016, insurance coverage on assets of the Group is TRY1.820.975 and TRY1.546.213 respectively.

13. Prepaid expenses

a) Short term prepaid expenses

	31 December 2017	**31 December 2016**
Order advances given	**33.263**	98.701
Other	**9.574**	8.627
	42.837	**107.328**

b) Long term prepaid expenses

	31 December 2017	**31 December 2016**
Advances given for property, plant and equipment	**29.852**	31.266
Other	**5.377**	4.846
	35.229	**36.112**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

14. Employee termination benefits

	31 December 2017	31 December 2016
Provision for employee termination benefits	**99.142**	77.671
	99.142	**77.671**

The amount payable consists of one month's salary limited to a maximum of TRY 4.732,48 for each period of service as of 31 December 2017 (31 December 2016: TRY4.297,21). The retirement pay provision ceiling is revised semiannually, and TRY5.001,76 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2017: TRY4.426,16). Liability of employment termination benefits is not subject to any funding as there is not any obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) is accounted in the statement of comprehensive income under "Actuarial gain/loss from defined benefit plans".

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2017 and 31 December 2016 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by using real discount rate of 4,72% by assuming an annual inflation rate of 6,0% and a discount rate of 11,0% (31 December 2016: 10,50%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

The voluntary and non-voluntary redundancy rates in the calculation of severance indemnity are taken as 28,85% and 8,13% respectively (31 December 2016: 29,44% and 8,53%), and these rates are calculated according to various age groups weighted average of the rates calculated on some basis. Average service age is calculated as 2.75 years for female employees and 4.55 years for male employees, and the general average of the company is 3.85 years. The retirement ages of female and male employees are 50 and 55, respectively, and the average for the group is 53.05.

If the discount rate used as 11,0% in calculation of provision for employment termination benefits is 10,5%, the total provision will be TRY101.536 and if it is 11,5%, TRY96.841 will be used. All other assumptions in the sensitivity analysis are fixed and are based on the change in the discount rate.

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

	1 January - 31 December 2017	1 January - 31 December 2016
Current service cost (Note 19)	**12.684**	11.713
Financial expense of employee termination benefit (Note 22)	**7.547**	5.846
Total	**20.231**	**17.559**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

14. Employee termination benefits (Continued)

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

	2017	2016
Balance at the beginning of the period - 1 January	**77.671**	60.368
Financial expense of employee termination benefit	**7.547**	5.846
Current service cost	**12.684**	11.713
Benefits paid	**(21.064)**	(16.914)
Actuarial gains	**22.304**	16.658
Balance at the end of the period - 31 December	**99.142**	**77.671**

15. Other assets and liabilities

a) Other current assets

	31 December 2017	31 December 2016
VAT receivable	**15.919**	13.952
Other	**9.073**	7.576
	24.992	**21.528**

b) Other current liabilities

	31 December 2017	31 December 2016
Taxes and funds payables	**67.516**	52.040
Other	**1.867**	2.906
	69.383	**54.946**

As of 31 December 2017 and 31 December 2016, the Group does not have any other long-term liability.

16. Equity

a) Share capital and capital reserves

As of 31 December 2017 and 31 December 2016, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows:

	31 December 2017		31 December 2016	
	Historical cost	(%)	Historical cost	(%)
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.(*)	**44.877**	**14,78**	-	-
Naspak Gıda Sanayi ve Ticaret A.Ş. (*)	**31.896**	**10,51**	-	-
Mustafa Latif Topbaş (*)	**-**	**-**	44.877	14,78
Ahmet Afif Topbaş (*)	**-**	**-**	28.500	9,39
Other	**11.192**	**3,69**	14.588	4,81
Publicly traded	**215.635**	**71,02**	215.635	71,02
	303.600	**100,00**	**303.600**	**100,00**

The Company's share capital is fully paid and consists of 303.600.000 (31 December 2016: 303.600.000) shares of TRY 1 nominal value each.

(*) On May 16, 2017, The Company's President of Board of Directors and Executive President Mustafa Latif Topbaş sold all of the 44.876.992 publicly traded shares of BİM Birleşik Mağazalar A.Ş., which correspondended to a 14,78% capital ratio to Merkez Bereket Gıda Sanayi ve Ticaret A.Ş., which is under his control, by selling the shares outside the Stock Exchange. There is no change in management and control of Bim Birleşik Mağazalar A.Ş. On November 2, 2017, Ahmet Afif Topbaş from the shareholders of the Company and Ömer Hulusi Topbaş from the Members of the Board of Directors all had a total of 28.340.000 shares corresponding to 9.33% capital ratio and a total of 520.000 shares of the public shares corresponding to a capital ratio of 0.17% Naspak Food Industry and Trade Inc. under their control by transferring from outside the stock market. The result of these transactions is Bim Birleşik Mağazalar A.Ş. there has not been a change in management and control.

16. Equity (Continued)

Revaluation surplus

As of 31 December 2017 the Group has revaluation surplus amounting TRY810.869 (31 December 2016: TRY279.957) related to revaluation of land and buildings. The revaluation surplus is not available for distribution to shareholders.

b) Restricted reserves and retained earnings

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and Turkish Capital Market Board (CMB) requirements related to profit distribution.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees, and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Dividend distribution policy of the Company is in line with the CMB Law numbered 6362 dated 30 December 2012.

Inflation adjustment to shareholders' equity and book value of extraordinary reserves can be used as an internal source in capital, dividend distribution in cash or net-off against prior years' loss. In case the inflation adjustment to shareholders' equity is used for dividend distribution in cash, the distribution is subject to corporate tax.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

16. Equity (Continued)

As of 31 December 2017 and 31 December 2016 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

	31 December 2017	31 December 2016
Legal reserves	**340.409**	296.387
Extraordinary reserves	**777.717**	595.276
Net profit for the period	**867.509**	680.020
	1.985.635	**1.571.683**

As of 31 December 2017, net profit for the Company's statutory books is TRY867.509 (31 December 2016: TRY680.020) and net profit per consolidated financial statements in accordance with CMB accounting standards is TRY863.001 (31 December 2016: TRY670.859).

c) Treasury shares

The Board of Directors of the Company, on 22 July 2016, referring to the Press Announcement dated 21.07.2016 of the Prime Ministry Capital Market Board, the Company's shares can be repurchased in the Exchange and maximum amount of TRY300.000.000 (full TL), Member of Executive Board and CFO Haluk Dortoğlu has been authorized and the purchase has been terminated as of 16 March 2017. In this context, the Company reversed a total of 1.230.280 shares of the Company's capital, which was traded on BIST between August 26, 2016 and March 16, 2017, amounting to 0,41% against TRY61.111.113 (full TL) The financing of share repurchases is provided by the Company's internal resources. As of the date of the report, the shares that have been repurchased have not been sold. Based on the redemption, own shares' dividend payment amounting to TRY1.845 is accounted under Retained Earnings in equity accounts.

d) Dividend paid

At the Ordinary General Assembly meeting held on April 18, 2017, it was decided to distribute cash dividend in two instalments. In this context, cash dividend distribution for the first instalment of the year 2016 which is amounting TRY202.237 (2016: first installment TRY182.160) and second installment of TRY251.318 (2016: second instalment TRY151.363) in gross was completed as of 31 December 2017. The gross dividend paid per share is 1,50 full TL.

17. Sales and cost of sales

a) Net Sales

The Group's net sales for the periods ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Sales	**24.867.089**	20.138.491
Sales returns (-)	**(87.681)**	(66.774)
	24.779.408	**20.071.717**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

17. Sales and cost of sales (Continued)

b) Cost of sales

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning inventory	**1.108.209**	963.155
Purchases	**20.888.618**	16.853.791
Ending inventory (-)	**(1.442.833)**	(1.108.209)
	20.553.994	**16.708.737**

18. Operational expenses

a) Marketing expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	1.298.751	1.056.564
Rent expenses	620.921	509.414
Depreciation and amortization expenses	237.324	199.110
Electricity, water and communication expenses	146.050	119.638
Packaging expenses	135.122	111.299
Advertising expenses	79.112	55.874
Trucks fuel expense	66.429	48.526
Maintenance and repair expenses	61.519	45.856
Taxes and duty expenses	20.814	16.418
Provision for employee termination benefit	10.655	9.839
Other	93.964	72.771
	2.770.661	**2.245.309**

b) General and administrative expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	260.362	217.672
Vehicle rent expenses	22.976	16.300
Legal and consultancy expenses	21.391	18.900
Depreciation and amortization expenses	19.223	14.585
Taxes and duty expenses	13.146	8.209
Motor vehicle expenses	11.647	9.064
Money collection expenses	11.285	9.367
Communication expenses	2.148	1.827
Provision for employee termination benefits	2.029	1.874
Office supplies expenses	1.658	1.413
Other	49.909	35.204
	415.774	**334.415**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

19. Expenses by nature

a) Depreciation and amortisation expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Marketing and selling expenses	**237.324**	199.110
General and administrative expenses	**19.223**	14.585
	256.547	**213.695**

b) Personnel expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	**1.387.717**	1.124.736
Social security premiums - employer contribution	**171.396**	149.500
Provision for employee termination benefits (Note 14)	**12.684**	11.713
	1.571.797	**1.285.949**

20. Other operating income

a) Other operating expense

	1 January - 31 December 2017	1 January - 31 December 2016
Gain on sale of scraps	**6.664**	6.241
Other income from operations	**24.941**	18.674
	31.605	**24.915**

b) Other operating expense

	1 January - 31 December 2017	1 January - 31 December 2016
Provision expenses	**8.290**	9.016
Other	**2.617**	1.557
	10.907	**10.573**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

21. Financial income

	1 January - 31 December 2017	1 January - 31 December 2016
Participation account income	**39.396**	19.434
Foreign currency gains	**5.807**	43.230
	45.203	**62.664**

22. Financial expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Finance charge on employee termination benefit including actuarial losses	**7.547**	5.846
Foreign exchange losses	**2.108**	15.215
Other financial expenses	**834**	1.811
	10.489	**22.872**

23. Income and expense from investing activities

a) Income from investing activities

	1 January - 31 December 2017	1 January - 31 December 2016
Dividend income	**3.037**	6.716
Gain on sale of property, plant and equipment	**-**	5.075
	3.037	**11.791**

b) Expense from Investing Activities

The Loss on sale of property, plant and equipment of group is TRY1.575 as of 31 December 2017. (1 January- 31 December 2016: None).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

24. Tax assets and liabilities

As of 31 December 2017 and 31 December 2016, provision for taxes of the Group is as follows:

	31 December 2017	31 December 2016
Current income tax liabilities	**214.182**	172.597
Current tax assets (Prepaid taxes)	**(174.182)**	(131.528)
Corporate tax payable	**40.000**	**41.069**

In Turkey, as of 31 December 2017, corporate tax rate is 20% (31 December 2016: 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 instalment 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.

In Morocco, as of 31 December 2017 the corporate tax rate is 30% (31 December 2016: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2017 the corporate tax rate is 22.5% (31 December 2016: 22.5%) where the consolidated subsidiary of the Company, BIM Stores LLC operates.

There is no taxable temporary differences related with the consolidated subsidiaries for which the Company recognised deferred tax liability (31 December 2016: None).

Corporate tax losses can be carried forward for a maximum period of 5 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% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is 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.

In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

As of 31 December 2017 and 31 December 2016, temporary differences based for deferred tax and deferred tax asset and liability calculated by using applicable tax rates are as follows:

	Balance sheet		Comprehensive income	
	31 December 2017	31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016
Deferred tax liability				
Tangible and intangible assets, except the effect of revaluation effect	**56.335**	38.047	**18.288**	7.951
The effect of the revaluation of land and buildings	**107.657**	23.292	**84.365**	-
The effect of the revaluation of financial asset	**7.612**	7.188	**424**	2.335
Other adjustments	**5.133**	3.252	**1.881**	656
Deferred tax asset				
Reserve for employee termination benefit	**(19.828)**	(15.534)	**(4.294)**	(3.460)
Other adjustments	**(21.921)**	(16.530)	**(5.391)**	(3.930)
Currency translation difference	**-**	-	**298**	1.551
Deferred tax	**134.988**	**39.715**	**95.571**	**5.103**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

24. Tax assets and liabilities (Continued)

Deferred tax is presented in financial statements as follows:

	31 December 2017	31 December 2016
Deferred tax assets	**2.851**	2.725
Deferred tax liabilities	**(137.839)**	(42.440)
Net deferred tax liability	**(134.988)**	**(39.715)**

Movement of net deferred tax liability for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at the beginning of the period - 1 January	**39.715**	36.163
Deferred tax expense/(income) recognized in statement of profit or loss	**15.243**	6.100
Deferred tax expense/(income) recognized in statement of comprehensive income	**80.328**	**(997)**
- Revaluation of financial assets available for sale	**424**	2.335
- Revaluation of property, plant and equipment	**84.365**	-
- Remeasurement losses of defined benefit plans	**(4.461)**	(3.332)
Foreign currency translation differences	**(298)**	(1.551)
Balance at the end of the period - 31 December	**134.988**	**39.715**

Tax reconciliation

	1 January - 31 December 2017	1 January – 31 December 2016
Profit before tax	**1.095.853**	849.181
Corporation tax at effective tax rate of 20%	**(219.171)**	(169.836)
Disallowable expenses	**(1.528)**	(861)
Tax rate effect of the consolidated subsidiary	**(4.307)**	(3.937)
Other	**(7.846)**	(3.688)
	(232.852)	**(178.322)**
- Current	**(217.609)**	(172.222)
- Deferred	**(15.243)**	(6.100)

25. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period. All shares of the Company are in same status.

Earnings per share	1 January - 31 December 2017	1 January - 31 December 2016
Average number of shares at the beginning of the period	**302.370**	303.573
Net profit of the year	**863.001**	670.859
Earnings per share	**2,854**	**2,221**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

26. Related party disclosures

a) Trade payables to related parties

Due to related parties balances as of 31 December 2017 and 31 December 2016 are as follows:

Payables related to goods and services received:

	31 December 2017	31 December 2016
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) (1)	**97.145**	84.305
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) (1)	**94.994**	74.527
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) (1)	**65.676**	33.382
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) (3)	**28.458**	11.907
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) (1)	**26.115**	35.668
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti. (Apak) (1)	**17.190**	12.580
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) (1) (*)	**15.878**	-
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) (1)	**7.299**	14.548
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. (İdeal Standart) (2)	**3.038**	2.656
Proline Bilişim Sistemleri ve Ticaret A.Ş. (Proline)(1)	**307**	1.477
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) (1)	**37**	120
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) (1)	**-**	1.350
	356.137	**272.520**

(1) Companies owned by shareholders of the Company.
(2) Non consolidated subsidiaries of the Group.
(3) Other related party

b) Related party transactions

For the periods ended 31 December 2017 and 2016, summary of the major transactions with related parties are as follows:

i) Purchases from related parties during the periods ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Başak (1)	**787.240**	662.284
Turkuvaz (1)	**440.218**	338.805
Hedef (1)	**325.958**	176.292
Aktül(1)	**203.597**	150.030
Golf(1)	**144.989**	115.847
Apak(1)	**111.807**	56.631
Aytaç(1)	**109.431**	47.824
Reka (1) (*)	**86.970**	-
Sena(3)	**77.355**	44.336
İdeal Standart (2)	**13.667**	12.401
Proline (1)	**3.546**	6.628
Avansas(1)	**1.294**	3.867
Bahariye Tekstil Sanayi ve Ticaret A.Ş.	**-**	1.633
	2.306.072	**1.616.578**

(1) Companies owned by shareholders of the Company.
(2) Non-consolidated subsidiaries of the Group.
(3) Other related party

(*) Has entered into the status of the related company as of September 20, 2017 and the related purchase amount covers the amount up to the end of this year.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

26. Related party disclosures (Continued)

ii) For the periods ended 31 December 2017 and 2016 salaries, bonuses and compensations provided to board of directors and key management comprising of 160 and 159 personnel, respectively, are as follows

	1 January - 31 December 2017	**1 January - 31 December 2016**
Short-term benefits to employees	**68.496**	53.497
Long-term defined benefits	**3.798**	3.548
Total benefits	**72.294**	**57.045**

27. Financial instruments and financial risk management

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and profit share rates. These risks are market risk (including foreign currency risk and profit share rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's principal financial instruments comprise cash and short-term interest free bank loans. The main purpose of using these financial instruments is to raise finance for the Group's operations. The Group has other financial instruments such as trade receivables and payables which arise directly from its operations. The Group manages its capital through cash provided by its operations and review of the maturities of the trade payables.

Price risk

Price risk is a combination of foreign currency, profit share and market risk. The Group naturally manages its price risk by matching the same foreign currency denominated receivable and payables and assets and liabilities bearing profit share. The Group closely monitors its market risk by analysing the market conditions and using appropriate valuation methods.

Profit share rate risk

The Group does not have material profit share rate sensitive asset. The Group's income and cash flows from operations are independent from profit share rate risk.

The Group's profit share rate risk mainly comprises of outstanding short-term borrowings in the prior period. The Group's forthcoming loans in order to continue its operating activities are effected from forthcoming profit share ratios.

Profit share rate position table

According to TFRS 7 "Financial Assets", the profit share rate position of the Group is as follows:

Profit share position table		**Current period**	**Previous period**
Financial assets	Fixed profit share bearing financial instruments	**510.758**	267.262
	Profit share deposits	**510.758**	267.262
Financial liabilities			-
Financial assets	Variable profit share bearing financial instruments	**-**	-
Financial liabilities		**-**	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

27. Financial instruments and financial risk management (Continued)

Credit risk

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 Group is engaged in the retail sector and transactions are mainly on a cash basis or has 1 month maturity credit card collections, the exposure to credit and price risk is minimal.

Credit risk table (Current period – 31 December 2017)

	Credit card receivables		Other receivables		Deposit İn bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	877.380	25.069	21.396	-	684.654	309.731	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	877.380	25.069	21.396	-	684.654	309.731	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	425	-	-	-	-
- Impairment	-	-	-	(425)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

27. Financial instruments and financial risk management (Continued)

Credit risk table (Current period – 31 December 2016)

	Credit card receivables		Other receivables		Deposits in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	645.505	39.531	11.758	-	366.402	193.429	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	645.505	39.531	11.758	-	366.402	193.429	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	445	-	-	-	-
- Impairment	-	-	-	(445)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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27. Financial Instruments and Financial Risk Management (Continued)

There is an insignificant amount of foreign currency denominated assets and liabilities so the Company does not use derivative financial instruments or future contracts to reduce the risk of foreign currency.

Foreign currency position

As of 31 December 2017 and 2016, the Group's foreign currency position is as

	31 December 2017				31 December 2016			
	TRY equivalent	**USD**	**Euro**	**GBP**	**TRY equivalent**	**USD**	**Euro**	**GBP**
1. Trade receivables					-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	**12.423**	**3.145.291**	**113.557**	**9.102**	34.634	9.816.002	13.308	9.283
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Other current assets (1+2+3)	**12.423**	**3.145.291**	**113.557**	**9.102**	34.634	9.816.002	13.308	9.283
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	**106**	**26.600**	**1.278**	**-**	98	26.600	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-current assets (5+6+7)	**106**	**26.600**	**1.278**		98	26.600	1.278	-
9. Total assets (4+8)	**12.529**	**3.171.891**	**114.835**	**9.102**	34.732	9.842.602	14.586	9.283
10. Trade payables	**317**	**84.078**			18	2.000	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**317**	**84.078**			18	2.000	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	**317**	**84.078**			18	2.000	-	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	**12.212**	**3.087.813**	**114.835**	**9.102**	34.714	9.840.602	11.586	9.283
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a))	**12.212**	**3.087.813**	**114.835**	**9.102**	34.714	9.840.602	11.586	9.283
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

27. Financial Instruments and Financial Risk Management (Continued)

Exchange rate risk

The following table demonstrates the sensitivity to a possible change in the U.S Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax as of 31 December 2017 and 2016:

31 December 2017

		Exchange rate sensitivity analysis			
		Current Period			
		Profit/(Loss)		Equity	
		Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	Change of USD against TRY by 10%:				
1-	USD net asset/(liability)	**1.165**	**(1.165)**	-	-
2-	Protected part from USD risk(-)			-	-
3-	USD net effect (1+2)	**1.165**	**(1.165)**	-	-
	Change of EUR against TRY by 10%				
4-	EUR net asset/(liability)	**52**	**(52)**	-	-
5-	Protected part from EUR risk(-)			-	-
6-	EUR net effect (4+5)	**52**	**(52)**	-	-
	Change of GBP against TRY by 10%:				
7-	GBP net asset/(liability)	**5**	**(5)**	-	-
8-	Protected part from GBP(-)			-	-
9-	GBP net effect (7+8)	**5**	**(5)**	-	-
	Total (3+6+9)	**1.222**	**(1.222)**	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

27. Financial Instruments and Financial Risk Management (Continued)

31 December 2016

		Exchange rate sensitivity analysis			
		Previous Period			
		Profit Loss		**Equity**	
		Foreign currency appreciation	**Foreign currency depreciation**	**Foreign currency appreciation**	**Foreign currency depreciation**
	Change of USD against TRY by 10%:				
1-	USD net asset/(liability)	3.463	(3.463)	-	-
2-	Protected part from USD risk(-)	-	-	-	-
3-	USD net effect (1+2)	3.463	(3.463)	-	-
	Change of EUR against TRY by 10%				
4-	EUR net asset/(liability)	4	(4)	-	-
5-	Protected part from EUR risk(-)	-	-	-	-
6-	EUR net effect (4+5)	4	(4)	-	-
	Change of GBP against TRY by 10%:				
7-	GBP net asset/(liability)	4	(4)	-	-
8-	Protected part from GBP risk(-)	-	-	-	-
9-	GBP net effect (7+8)	4	(4)	-	-
	Total (3+6+9)	**3.471**	**(3.471)**	**-**	**-**

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

27. Financial Instruments and Financial Risk Management (Continued)

As of 31 December 2017 and 31 December 2016, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

31 December 2017

Contractual maturities	**Book value**	**Total cash outflow**	**Less than 3 months**	**3 -12 months**	**1 - 5 years**	**More than 5 years**
Non derivative financial liabilities						
Trade payables	**3.020.467**	**3.042.960**	**3.042.960**	**-**	**-**	**-**
Due to related parties	**356.137**	**358.727**	**358.727**	**-**	**-**	**-**

31 December 2016

Contractual maturities	**Book value**	**Total cash outflow**	**Less than 3 months**	**3 -12 months**	**1 - 5 years**	**More than 5 years**
Non derivative financial liabilities						
Trade payables	2.352.655	2.368.411	2.368.411	-	-	-
Due to related parties	272.520	274.276	274.276	-	-	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. Net debt is calculated as total liabilities less cash and cash equivalents.

The gearing ratios at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	**31 December 2016**
Total liabilities	**4.067.795**	3.087.960
Less: Cash and cash equivalents	**(980.378)**	(578.435)
Net debt	**3.087.417**	2.509.525
Total equity	**2.957.880**	1.901.177
Total equity+net debt	**6.045.297**	4.410.702
Net debt/(Total equity+net debt) (%)	**51**	**57**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

28. Financial instruments (fair value disclosures and disclosures in the frame of hedge accounting)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2017 and 31 December 2016. See note 10 for disclosures of the land and buildings that are measured at fair value (Note 10).

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale financial assets				
Retail industry	-	297.141	-	297.141
Total assets	**-**	**297.141**	**-**	**297.141**

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale financial assets				
Retail industry	-	180.839	-	180.839
Total assets	**-**	**180.839**	**-**	**180.839**

There were no transfers between levels during year.

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

28. Financial instruments (fair value disclosures and disclosures in the frame of hedge accounting) (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments,

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves,

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value,

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As of 31 December 2017 and 31 December 2016, except for the available for sale financial assets disclosed in Note 5, the fair values of certain financial assets carried at cost including cash and cash equivalents profit share accruals and other short term financial assets are considered to approximate their respective carrying values due to their short-term nature. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibilities are estimated to be their fair values.

- Financial liabilities

Financial liabilities of which fair values approximate their carrying values:

Fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings with variable rates are considered to approximate their respective carrying values since the profit share rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values.

29. Events after balance sheet date

None.

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