

CIRCULAR
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Subject:

REMINDER ABOUT THE NECESSITY OF ISSUING 2012 FISCAL YEAR'S ANNUAL BOARD OF DIRECTORS ACTIVITY REPORT UNTIL THE END OF FEBRUARY AS PER THE NEW TURKISH COMMERCIAL CODE.

As is known, Article 516 of the Turkish Commercial Code numbered 6102 regulates the annual activity report to be issued by the board of directors. The mentioned article reads as follows:

“Board of Directors’ annual activity report

(1) Board of Directors’ annual activity report should state the company’s flow of activity in that year and give correct, complete, true and actual details of the company’s financial conditions in a proper and honest manner. This report evaluates the financial status on the basis of financial tables. This report also clearly states the corporate development and possible risks to be suffered by the company. The comments of the board of directors on such matters shall be also stated on this report.

(2) The Board of Directors’ activity report should also include the following items:

- a. Materially important incidents took place at the company following the end of activity year.*
- b. Company’s research and development activities.*
- c. Monetary benefits paid to the board of directors members and senior executives such as fees, premiums and bonus, allowances, travelling, accommodation and hosting expenses, real and cash benefits, insurances and such rights.*

(3) Minimum content requirements of any annual activity report, issued either by a joint stock company or group of companies, are subject to a “Implementing Regulation” issued by the Ministry of Customs and Commerce.”

According to Article 518 of the Code, Annual Activity Report for Group Companies shall be issued by Board of Directors of Parent Company, within the scope of Article 516.

As for annual activity report to be issued by Limited Partnership Divided into Shares, the article 564 of the Code refers to sections of the Code governing Joint Stock Companies whereas Article 610 of the Code refers to the same section for annual activity report to be issued by Limited Liability Company.

Besides, as per the Implementing Regulation on minimum contents of the annual activity reports, companies which are subject to specific laws, should issue annual activity report in compliance with the provisions of such regulation, excluding special provisions.

Article 514 of the Code reads as follows on the subject of annual activity report issuance period; *“The Board of Directors shall prepare financial tables, their annexes and the board of directors annual activity report of the previous fiscal period within first three months of the fiscal period following the balance sheet and submits them to the general assembly as per the Turkish Accounting Standards.”*

“THE REGULATION ON DETERMINING MINIMUM CONTENT REQUIREMENTS OF A COMPANY’S ANNUAL ACTIVITY REPORT” was published on the Official Gazette dated August 28, 2012 and numbered 28395. Our circular dated September 04, 2012 and numbered 2012/199 was sent you for the purpose of providing detailed explanation regarding the regulation.

The Article 16th of the regulation reads *“Annual activity reports should be issued within two months following the end of fiscal period”*.

Stock corporations should prepare 2012 activity reports until the end of 2013 February and the reports should be undersigned, approved by the company’s management board chairman and its members. (As for the companies using special fiscal period, the said report should be prepared within two months following the end of special fiscal period and the report should be undersigned, approved).

The financial tables and board of directors’ annual activity reports issued by the company that are subject to independent audit as per Article 397, paragraph 4 of the Code shall be in scope of independent audit as per Article 398 of the Code. Accordingly and as per Article 402/2 of the Code; consistency and accuracy of the information given on the annual activity report regarding the company’s or group’s status and of the financial tables shall be evaluated by the independent auditor in a separate, audit report issued by the auditor.

Connection between Activity Reports and Ordinary annual General Assembly:

As is known and as per the Article 409th of the Turkish Commercial Code, ordinary annual general assembly meetings should be organized by Joint Stock Corporations within three months following the end of activity period.

Joint Stock Companies shall be able to schedule ordinary annual general assembly provided that the board of directors’ annual activity report is issued within due time, the activity report is approved by the company’s management board chairman and members and the announcement to be published on the trade registry gazette as a invitation to the general meeting should state that the annual activity report is available at the company’s head office and branches for review of shareholders.

The Article 11th of the “REGULATION ON GENERAL MEETING PRINCIPLES AND PROCEDURES OF JOINT STOCK COMPANIES AND ATTENDANCE OF MINISTRY OF CUSTOMS AND COMMERCE REPRESENTATIVES TO THOSE MEETINGS”, which is published on the Official Gazette dated November 28, 2012, regulates contents of the meeting invitation to be made for general assembly and as per paragraph one, subparagraph

(f) of this article, the announcements made for invitation the general assembly to a meeting and letters sent to the shareholders should state that “*financial tables, consolidated financial tables, board of directors’ annual activity report, audit report and the board of directors’ profit distribution suggestions should be made available on the ordinary meeting announcement by stating the company’s headquarter and branch addresses and at the said addresses for review of the shareholders.*”

The regulation requires announcing an invitation to the meeting minimum two weeks before the meeting date (The said regulation came into force on 28.11.2012 and applies to all ordinary annual general assembly meeting to be held until the end of March 2013. The circular dated 04.12.2012 and numbered 2012/242 was sent to you for the purpose of clarifying this matter).

As per Article 15th of the said regulation, board of directors’ annual activity report is one of the documents which should be available on the general assembly meeting and as per Article 13 of the regulation; annual activity report prepared by the board of directors should be read and discussed at the general assembly meeting.

Due to the relevant references made on the Turkish Commercial Code, the particulars explained above for general assembly meetings of joint stock companies also applies for the Limited Partnerships Divided into Shares and Limited Liability Companies.

Best Regards,

**DENGE DENETİM YEMİNLİ
MALİ MÜŞAVİRLİK A.Ş.**

(*) The information provided in our circular notices is for informing purposes only. We advise that the opinion and support of a specialist advisor be sought before acting on points of hesitation. Our company does not assume any responsibility regarding any loss that may be incurred as a result of any transaction to be carried out based on the explanations made in our circular notice only.

(**) Please do not hesitate to write to the following experts to let us know about your opinions, criticism and questions regarding our circular notices:

Erkan YETKİNER

Sworn-in CPA

Mazars/Denge Tax Department, Partner

eyetkiner@mazarsdenge.com.tr

Güray ÖĞREDİK

CPA

Mazars/Denge Tax Department, Senior Manager

gogredik@mazarsdenge.com.tr