Cerebra Newsletter
May 2014
ISTANBUL-TURKEY

WHY SHOULD A BUY SIDE FIRM PREFER TO HAVE VENDOR ASSISTANCE PERFORMED IN THE TARGET COMPANY?

Most Turkish family owned companies have the necessary data but they do not have the means and resources to compile it for a due diligence in a short period of time

Imagine a family company that has been managed by the founding family for decades. In Turkey this is more than common sight as 95% of all Turkish Companies are founded and run by the families. Currently most of these companies due to their life span are being managed by the founder or the second-generation family members. During the life span of these companies the Turkish Accounting Standards did evolve to close the gap with IAS, however even today there is still some work to be done in that department. Even with the introduction of the new Turkish Commercial Code, we are still able to see that the long waited improvements of the Turkish Accounting and Reporting Standards is still a passenger on a slow steam train.

Within such an accounting and reporting environment, the priorities of the Turkish family owned companies were never to implement infrastructure for an independent or an internal audit, leave aside a buy side due diligence. The sole objective of the founder of such companies would have been to make sales, create cash and at the same time be in good terms with the tax office. So the management of the company always had a built in instinctive cash flow follow up system as a helm from which they can steer the whole company. Such management or shareholders did not care too much for the tidiness of the financial statements, as they did not use them for any worthwhile analysis.

Now imagine yourself and your consultants when you are about to embark on the mission of acquiring a Turkish family owned business. As we all know a financial and tax due diligence process could be long and painful for both parties and at the same time may require substantial amount of financial resources. As many of the foreign investors prefer not to take the slightest risk during the due diligence process, they want to hire well-known and established consultant firms to carry out this exercise. These firms are highly capable in terms of know-how and experience, however

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GOOD FRAUD OR BAD FRAUD IN THE M&A WORLD

Does it sound weird? Is there such a thing in the M&A world as good fraud? In a word, yes! Put simply, good frauds create opportunities to buy undervalued companies and cut costs. Bad frauds, in contrast, dilute the value of the deal. Distinguishing between the two is not very difficult, once the consequences are clear.

Bad frauds generally kill deals—generally, the buyer either walks away or uses the discovery of the fraud as a negotiating ploy. Good frauds, by contrast, are to be treasured and kept under wraps until the deal closes, since eliminating them often reduces costs and improves the acquirer's bottom line.

Bad Fraud: Buyer Beware

Any deal-diluting misconduct qualifies as bad fraud. The most common types are financial misstatement and undisclosed legal liability.

Cooking the books is bad fraud because it can cause a buyer to pay too much for an acquisition, unless it is found in time to negotiate a purchase price reduction or other compensation. Although sellers can dress up the books in various ways, false financial statement schemes fall into seven basic categories:

- Revenue recognition schemes where the target recognizes revenue prematurely (i.e., before the terms of sale are completed), or records fictitious revenues (i.e., falsified documentation support-

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WHY SHOULD A BUY SIDE FIRM PREFER TO HAVE VENDOR ASSISTANCE PERFORMED IN THE TARGET COMPANY?

← this background can only be put to use if there is meaningful data to work on. In general if the target firm's accounting function lack the capabilities of producing the data (which actually exists in the company but was never prioritized thus never checked or reported) for the due diligence exercise, failure of the process becomes likely.

We are very often called in for duty in situations where a sell side is contacted by a potential foreign buyer and it is time for the buy side financial and tax due diligence to begin. The potential buyers are happy with the term sheet and they have their consultants lined up to perform the work but the target firm is dragging their feet not because the data is not available but because it can not be compiled in such a short notice and by the existing accounting personnel of the company. In such instances we, as Cerebra, go in with a team to prepare the items on the information request list within the perspective of internationally accepted best practices.

Ironically in situations like these we see that the buy side management is usually happier to have people like us on the other side of the table. In some instances the buy side management is encouraging the target company to hire such assistance so that;

- The M&A process is not interrupted due to lack of resources,
- The buy side hired consultants carry out their work with a smaller team and less spent hours (as our team acts in fact as their team, spending the effort to prepare their detailed requests).

Ömer Tunabaş

GOOD FRAUD OR BAD FRAUD IN THE M&A WORLD

← ing fabricated sales),

- Understating liabilities or schemes arising from costs and expenses where the target delays costs associated with sales, fails to record liabilities for future costs, or improperly classifies expenses as assets,
- Overstating assets where the target inflates the value of inventory, cash, accounts/loans receivable, property, plant and equipment, or fails to establish adequate reserves for uncollectable receivables,
- Related-party transaction schemes such as conflict-of-interest transactions with undisclosed related parties that are not done on arms-length terms and can involve price, quality or quantity misstatements or non-existent services,
- Misappropriations of assets including failure to recognize loss of assets,
- Management discussion and analysis issues that can arise when management omits contingent liabilities, excludes significant events, or fails to disclose serious fraud involving directors, officers or employees.

The Laws in many jurisdictions hold the acquirer liable for all criminal and civil charges arising from any illegal actions of the target prior to acquisition. While the acquirer can either continue or stop the illegal conduct, he may lose either way. By continuing the illegal practices, the buyer may save on taxes, but take on greater liability. Ceasing the practices may keep the acquirer from going to jail, but increase operating expenses.

Good Fraud: Buyer Benefits

Good fraud is any misconduct that, if detected and deterred, reduces costs and increases earnings. Consider procurement fraud. A purchasing agent buys raw materials at inflated prices and receives a kickback from the vendor. Because the company pays too much for raw materials, earnings and the value of the enterprise are lower than they should be. A prospective buyer who spots the kickback scheme during diligence and stops it after the deal closes will get a bargain.

Study after study—both public and private—demonstrate the significant impact fraud has upon earnings. According to the US Department of Commerce, fraud losses for the average American company equal 6 percept of revenue. Companies doing business in higher risk markets suffer substantially greater losses.

Good fraud directly reduces the bottom line, so a dollar saved by reducing fraud equals a dollar increase in earnings. The earnings impact of fraud management depends upon a company's profit margin: the smaller its margin, the greater the impact. As the following example illustrates, a company with a 10% profit margin stands to gain a bigger earnings boost by eliminating fraud than a company that operates on a 30% margin.

	Company A	Company B
Revenue	$1,300	$1,100
Cost of Goods Sold (COGS)	1,000	1,000
Profit	300	100
Margin	30%	10%
Procurement fraud	60	60
COGS after fraud elimination	940	940
Impact on profit	+20%	+60%

The effect of eliminating good fraud on enterprise value can be even more significant, depending on the industry's EBITDA multiplier: the greater the multiplier, the bigger the impact. A case in point: company X operates in an industry with an EBITDA multiplier of 4 and earns $150 million against $500 million of revenues. Eliminating fraud equal to 6% of revenue—or $30M—would increase company X's enterprise value by $120 million, from $600 million (4 x $150 million) to $720 million (4 x $180 million).

While this example illustrates the positive impact of eliminating fraud, it is neither cost-efficient nor even possible to eliminate all of it in most cases. However, fraud reduction is highly practical and offers tremendous, often untapped, cost-saving opportunities.

Detecting Fraud During Diligence

Avoiding bad fraud tends to be the first priority of corporate and financial buyers, since no one wants to overpay or risk going to prison. Many buyers mistakenly assume that their diligence teams will detect bad fraud. Fraud often lies buried in operations and rarely surfaces during typical financial analysis. Unless the acquirer spelled it out, most accountants believe that fraud detection lies beyond the scope of their audit or diligence engagement.

This means that acquirers themselves must become familiar with the "red flags" of fraudulent schemes, broaden the scope of diligence to uncover the operational, reputation, cultural and financial warning signs of bad fraud, and be prepared to conduct follow-up investigations.

Identifying good fraud requires upfront planning and investigation. The diligence team should be concerned about both internal and external misconduct, as well as waste and abuse, since each has the same bottom line impact. A typical review looks at the procurement, supply chain, sales and marketing and financial operations of a target company.

● **Procurement—**The highest incidence of good fraud is found in procurement. While well-managed procurement departments generally do not have many fraud risks, poorly managed or structured ones are highly vulnerable to fraud. It is therefore critical that a prospective buyer assess the structure of the target's procurement department and its processes for qualifying and selecting vendors and awarding contracts. It is equally important to review any spending outside the traditional procurement process, such as the purchase of professional services.

● **Supply Chain—**Manufacturing, shipping, receiving and distribution centres also give rise to good fraud, since they often are vulnerable to property theft or corporate espionage. The diligence team should assess the adequacy of accounting, inventory and security controls.

● **Sales and Marketing**—Sales and marketing are vulnerable to both good and bad fraud. Diligence should look for kickbacks arising from the selection and deployment of internal and external sales forces, independent sales representatives and distributors, and also search for irregularities in advertising and promotional expenditures.

● **Finance and Administration**—Diligence should examine the structure and day-to-day management of the accounting, treasury, human resources and accounts receivable/payable functions, along with management of the target's international and domestic subsidiaries, joint ventures and strategic alliances. These functions can be the instruments of both bad and good frauds. Consider, for example, payroll fraud schemes where monies are paid to fictitious employees. From the acquirer's perspective, these frauds are wonderful as they deflate the target's earnings, which, in turn, decrease its EBITDA value. Ceasing the payroll scheme post-close will reduce costs, increase earnings and ultimately enhance enterprise value.

The search for good and bad fraud should not end when the deal closes. Building upon knowledge gained during diligence, the buyer should conduct a more thorough fraud and security risk analysis as soon as there is full access to the company. Target employees eager to please new management or likely to leave the company can be valuable sources of information. It is absolutely critical that these employees be interviewed before they leave the company, as it is far easier to interview a current employee than a former one.

Acquirers must also make sure that their purchase and sale agreements contain adequate remedies for bad fraud discovered within a reasonable interval after closing. Such remedies include escrow agreements, representation and warranty clauses, purchase price adjustment mechanisms and indemnifications.

No buyer can afford to be nonchalant. Management should diligently search for good fraud, and find out whether a target's potential fraud loss is more than, less than or equal to the national average of 6 percent of revenue. While these statistics are not good, they suggest that even "average" companies may contain enough "good fraud" to keep them undervalued. By searching for good fraud, a buyer may find a bargain, or at least opportunities to reduce costs, inefficiency and waste. Either way, he wins.

Fikret Sebilcioğlu, CPA, CFE

MANAGEMENT REPORTING

How do you wrap-up the Turkish GAAP financial results required for decision making?

The quality of management information is highly important to deliver the best possible basis for decision-making to the company management. The management report helps the management to see what went wrong and how they can improve their business and financial results.

Management reports look ahead - they focus on forecasting and decision-making. They use information to advise on how the business can move forward, for example, should a company buy another or should it invest in new equipment. Management accounting involves using the internal financial information available to managers, as well as that information which companies must legally publish. This contributes to forward planning, reviewing and analysing the performance of the business.

Implementation of management reporting is one of the most important steps a company can take to manage the daily business and create and manage the control environment.

In Turkey the financial statements of the companies are prepared under rules to comply with Turkish Tax Laws unless the companies meet the criteria mentioned in the Turkish Commercial Code for the preparation of their financial statements in accordance with the Turkish Accounting Standards that are similar to International Financial Reporting Standards. Therefore, the statutory financial statements are obviously inadequate in terms of helping management with meeting the objectives mentioned above.

Management reporting offers an opportunity to report the financial results and significant issues properly in a professional manner if it is prepared in accordance with "true and fair view" and designed properly to include all necessary information required for the best decision making process.

The management report may include the followings at minimum:

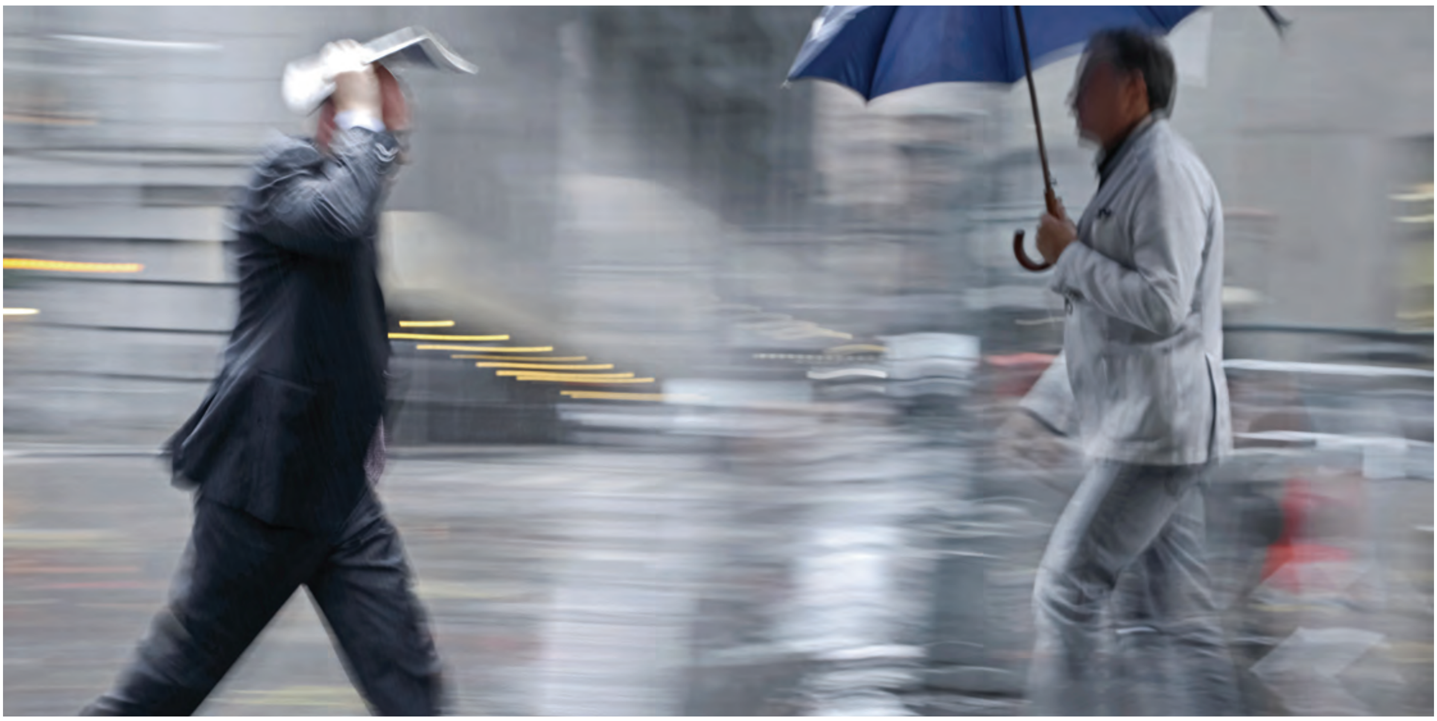
- Balance sheet and profit and loss statement with comparable figures,
- Comparison of budgeted, forecasted and actual figures,
- Breakdowns of significant balance sheet and profit and loss statement items,
- Information for unusual items,
- Fluctuation analysis including financial ratios,
- Foreign currency position,
- Trade debtors and aged trade debtor analysis,
- Trade creditors and aged trade creditor analysis,
- Stock details and aging,
- Details of fixed assets,
- Details of statutory and/or deferred taxes,
- Any other financial and non-financial data required for decision making of the management,
- Significant issues section that will summarize the financial or operational risks of the company.

The major characteristic of the reports would be to meet all of the goals set out by the management. Furthermore, below are the other key characteristics of the management reports:

- Management reports need to be accurate. They need to represent the results accurately at that point in time, and thus be convincing to the management,
- Information must be timely, otherwise it is useless,
- Management reports should be simple and clear so that the report could be understood even by the non-finance managers.

We as the Cerebra team have a wealth of knowledge and experience to help your firm take advantage of management reporting. We have a professional staff with a proven track record of improving and developing management reporting that is effective and timely for management. We would love the opportunity to speak with you about how we can help your firm — please contact us.

Seda Bayraktar, CPA



IMPORTANCE OF A PRELIMINARY FINANCIAL DUE DILIGENCE FOR THE INITIAL VALUATION OF A COMPANY

The critical success factor of the valuation process of a Turkish company may not be in the valuation methodology you choose

Imagine you are in the process of acquiring a Turkish Company which;

- is not listed on the stock exchange,
- is a family company,
- has no proper a system of internal controls and internal audit,
- has never been through an independent audit.

The initial bid you are expected to make for the term sheet will have to depend on the data provided by the sell side company and it will most probably be based on the historic financials of the company which have been prepared in accordance with the Turkish GAAP. Due to past dynamics of the Turkish accounting and reporting standards, these financial statements may need to be normalized before they can be used for any kind of valuation procedure. No matter which valuation methodology will be used, the historic financials of the company should at least reflect realistic data such as absolute value profits, profit margins, shareholders equity, total balance sheet size etc.

As we all know any M&A procedure based on an unrealistic term sheet in most cases will result in;

- waste of resources,
- loss of focus,
- unnecessary stereotyping for future similar exercises,
- loss of reputation.

As Cerebra we are coming across projects in which we are hired to do a brief preliminary financial due diligence on the disclosed financials before a term sheet is finalized. Once a realistic term sheet is in place, more resources are being allocated for a full scope financial, tax, legal, commercial and technical due diligence work. With such an approach certain issues which may be hard for the seller side to explain and quantify can be determined at the very beginning without spending too much time and capital.

A preliminary financial due diligence may take less time than a full scope financial due diligence and the main objective is to define the issues and getting an idea of their impact rather than quantifying them in detail. The general findings in a preliminary financial due diligence may include;

- one off revenues and or expenses,
- sales or expense cut off,
- inventory and cost accounting issues,
- off-the-books accounting transactions,
- inappropriate expenses capitalization,
- expenses having no valid business purpose.

Ömer Tunabaş

HOW TO PREVENT FRAUD RISKS?

Preventive controls are designed to help reduce the risk of fraud and misconduct from occurring in the first place

An effective, business-driven fraud and misconduct risk management approach is one that is focused on three objectives:

- Prevention: controls designed to reduce the risk of fraud and misconduct from occurring in the first place,
- Detection: controls designed to discover fraud and misconduct when it occurs,
- Response: controls designed to take corrective action and remedy the harm caused by fraud or misconduct.

In this publication we will focus on the prevention of fraud risk. The other elements, detection and responses, will be discussed in the next newsletters.

The main actions to prevent the fraud risks can be summarized as follows:

a) Leadership and Governance

(i) Board/Audit Committee Oversight

An organization's board of directors plays an important role in the oversight and implementation of controls to mitigate the risk of fraud and misconduct. The board, together with management, is responsible for setting the "tone at the top" and ensuring institutional support is established at the highest levels for ethical and responsible business practices.

Directors have not only a fiduciary duty to ensure that an organization has programs and controls in place to address the risk of wrongdoing but also a duty to ensure that such controls are effective.

As a practical matter, the board may delegate principal oversight for fraud and misconduct risk management to a committee (typically audit), which is tasked with, among other things:

- Reviewing and discussing issues raised during the entity's fraud and misconduct risk assessment,
- Reviewing and discussing with the internal and external auditors findings on the quality of the organization's antifraud programs and controls,
- Establishing procedures for the receipt and treatment of questions or concerns regarding questionable accounting or auditing matters.

(ii) Senior Management Oversight

To help ensure that fraud and misconduct controls remain effective and in line with governmental standards, responsibility for the organization's fraud and misconduct risk management approach should be shared at senior levels (i.e., individuals with substantial control or a substantial role in policy-making). This critical oversight begins with prevention and must also be part of detection and response efforts.

The chief executive officer is ideally positioned to influence employee actions through his or her executive leadership, specifically by setting the ethical tone of the organization and playing a crucial role in fostering a culture of high ethics and integrity.

For instance, the chief executive can lead by example, allocating resources to antifraud efforts and holding senior management accountable for compliance violations.

Direct responsibility for antifraud efforts should reside with a senior leader, often a chief compliance officer who works together with internal audit staff and designated subject matter experts. The chief compliance officer is responsible for coordinating the organization's approach to fraud and misconduct prevention, detection, and response. When fraud and misconduct issues arise, this individual can draw together the right resources to deal with the problem and make necessary operational changes. The chief compliance officer may also chair a committee of cross- functional managers who:

- Coordinate the organization's risk assessment efforts,
- Establish policies and standards of acceptable business practice,
- Oversee the design and implementation of antifraud programs and controls,
- Report to the board and/or the audit committee on the results of the organization's fraud risk management activities.

Other business leaders such as department heads (e.g., product development, marketing, regulatory affairs, human resources) should also participate in responsibilities under the organization's antifraud strategy; they oversee areas of daily operations in which risks arise. Such department heads can serve as subject matter experts to assist the chief compliance officer with respect to their particular areas of expertise or responsibility.

(iii) Internal Audit Function

The modern organization's internal audit function is a key participant in antifraud activities, supporting management's approach to preventing, detecting, and responding to fraud and misconduct. The studies show that significant percent of frauds were uncovered through the work of internal audit. Such responsibilities represent a change from the more traditional role of internal audit (that is, examining the effectiveness of the entity's controls). In general, internal audit should be responsible for:

- Planning and conducting the evaluation of design and operating effectiveness of antifraud controls,
- Assisting in the organization's fraud risk assessment and helping draw conclusions as to appropriate mitigation strategies,
- Reporting to the audit committee on internal control assessments, audits, investigations, and related activities.

(iv) Fraud and Misconduct Risk Assessment

All organizations typically face a variety of fraud and misconduct risks. Like a more conventional entity-wide risk assessment, a fraud and misconduct risk assessment helps management understand the risks that are unique to its business, identify gaps or weaknesses in control to mitigate those risks, and develop a practical plan for targeting the right resources and controls to reduce risk.

Management should ensure that such an assessment is conducted across the entire organization, taking into consideration the entity's significant business units, processes, and accounts.

With input from control owners as to the relevant risks to achieving organizational objectives, a fraud and misconduct risk assessment includes the following steps:

- Identify business unit, locations or process to assess,
- Inventory and categorize fraud/misconduct risk and occurrence,

- Rate risks based on the likelihood and significance of occurrence,
- Remediate risks through control optimization.

While management is responsible for performing a targeted risk assessment process and considering its results in evaluating control effectiveness, the audit committee typically has an oversight role in this process. The audit committee is responsible for reviewing management's risk assessment, ensuring that it remains an ongoing effort, and interacting with the entity's independent auditor to ensure that assessment results are properly communicated.

b) Code of Conduct

An organization's code of conduct is one of the most important communications vehicles that management can use to communicate to employees on key standards that define acceptable business conduct. A well-written and communicated code goes beyond restating company policies-such a code sets the tone for the organization's overall control culture, raising awareness of management's commitment to integrity and the resources available to help employees achieve management's compliance goals.

A well-designed code of conduct typically includes:

- High-level endorsement from the organization's leadership, underscoring a commitment to integrity,
- Simple, concise, and positive language that can be readily understood by all employees,
- Topical guidance based on each of the company's major policies or compliance risk areas,
- Practical guidance on risks based on recognizable scenarios or hypothetical examples,
- A visually inviting format that encourages readership, usage, and understanding,
- Ethical decision-making tools to assist employees in making the right choices,
- A designation of reporting channels and viable mechanisms that employees can use to report concerns or seek advice without fear of retribution.

c) Employee and Third-Party Due Diligence

An important part of an effective fraud and misconduct prevention strategy is the use of due diligence in the hiring, retention, and promotion of employees, agents, vendors, and other third parties. Such due diligence may be especially important for those employees identified as having authority over the financial reporting process.

The scope and depth of the due diligence process typically varies based on the organization's identified risks, the individual's job function and/or level of authority, and the specific laws of the country in which the organization resides.

There are certain situations where screening third parties may be valid. For example, management may wish to screen agents, consultants, or temporary workers who may access confidential information or acquisition targets that may have regulatory or integrity risks that can materially affect the value of the transaction.

Due diligence begins at the start of an employment or business relationship and continues throughout. For instance, taking into account behavioral considerations— such as adherence to the organization's core values—performance evaluations provides a powerful signal that management cares about not only what employees achieve but also that those achievements were made in a manner consistent with the company's values and standards.

d) Communication and Training

Making employees aware of their obligations concerning fraud and misconduct control begins with practical communication and training. While many organizations communicate on such issues in an ad hoc manner, efforts taken without planning and prioritization may fail to provide employees with a clear message that their control responsibilities are to be taken seriously.

Fikret Sebilcioğlu, CPA, CFE

TECHNICAL INSOLVENCY IN ACCORDANCE WITH TURKISH COMMERCIAL CODE

The most common problem of foreign entities having a Turkish subsidiary

Most of the foreign companies operating in Turkey have technical insolvency issues as they establish their companies with the minimum capital required by the Turkish Commercial Code No. 6102 ("TCC") which is TRY 10.000 for the limited liability (Article 580) and TRY 50.000 for the joint stock companies. The companies may become insolvent just after the establishment according to the below article of the TCC.

Article 376 of the TCC states the issue as the follows:

(1) If the last annual balance sheet indicates that half of the sum of the paid-in capital and statutory reserves are lost as a result of accumulated losses, the board of directors must immediately summon the general assembly and submit the remedial measures.

(2) If the last annual balance sheet indicates that two-thirds of the sum of the capital and statutory reserves are lost as a result of accumulated losses, the board of directors must immediately summon the general assembly. Unless the general assembly immediately convenes and decides to fully supplement the capital or decides to be satisfied with one-third of the capital, the company is deemed abolished.

(3) In the case where there are going concern uncertainties as the company's liabilities exceed its assets, the board of directors shall prepare an interim balance sheet based on the going concern principles and liquidation method. If it is clear that the related assets are not sufficient to cover the receivables of the creditors of the company, the board of directors must notify the commercial court of the first instance at the location of the company's headquarters of this situation and must claim for bankruptcy of the company provided that before the bankruptcy decision, the creditors whose receivables total to the amount adequate to cover the company's deficit and to eliminate the state of excess of liabilities over assets, must accept in writing to be ranked after all other creditors and that the legitimacy, authenticity and validity of this declaration is verified by experts assigned by the court. Otherwise the application made to the court for an expert inspection must be considered as notification of bankruptcy. When management comes back with an explanation of the impact of the uncertainty and what the impact would be on the financial statements and the disclosures, then the accountant evaluates the reasonableness of that information.

According to Article 633 of the TCC, mandatory requirements regarding joint stock companies (as stated under Article 376) also apply to the limited liability companies in respect to the loss of capital.

According to the above mentioned articles, if a company is in a position where it lost its capital fully or partially and/or is in negative equity status; the management of the company shall inform the board of directors about this issue and the shareholders shall remedy the losses. If the shareholders do not commit for any remedies, the board of directors shall file for bankruptcy of the company to the relevant courts.

The most common method of such remedy is to inject money into the company to recover the technical insolvency position. However there are some taxation issues in relation with the injection of such funds to the company, which are summarized below.

Such funds to be sent by the shareholders as loss compensation fund may be considered as revenue and subject to taxation. There are specific tax rulings of some of the tax offices (for example specific tax ruling dated June 1, 2012 No. B.07.1.GİB.0.06.49-010.01-11) stating that such amounts shall be subject to taxation since they are for offsetting the accumulated losses that have been already accounted for.

There are mainly three legal consequences of not resolving the technical insolvency issue:

- In case of an investigation by the Ministry of Commerce and Industry, the ministry officers may apply to the court and to the trade registry to deem the company dissolved and therefore abolished.
- If the creditors of the company claim for their outstanding receivables from the company and can not succeed in making collection, they may ask the court to impose these claims to the board members on their own assets due to their failure to comply with the law and may ask the courts to impose a criminal sentence for company management where liability is noted against the company management failing to file for bankruptcy. As a result, the board members may become liable in person if they fail to convene the shareholders general assembly and propose remedies.
- The companies are not allowed to increase their share capital before recovering their technical insolvency position. Trade registry offices require that the initial capital of companies have been fully paid and they are not technically insolvent before increasing their capital. The companies in technical insolvency position are required to fully supplement their capital before increasing their capital. Accordingly, if the company capital is not fully supplemented, the trade registry does not register and announce the increase of the company capital.

You may get in touch with Cerebra to obtain more detailed information on this subject and the common practices for the execution of the law. We as the Cerebra team have a wide range of experience on this subject and we would love the opportunity to speak with you about how we can help your firm — please contact us.

Seda Bayraktar, CPA

About Cerebra

Cerebra is a full service accounting, audit firm in a wide range of industries in Turkey. We offer solutions to a client base that ranges from small and medium sized entities, owner managed businesses, high net worth individuals to large corporations by using a highly-personalized service approach.

Cerebra is a dynamic client-driven professional services firm in Turkey. With a 'hands-on' approach, a highly qualified team and a keen responsiveness to client needs, we combine imaginative and constructive advice to create robust financial solutions to all types of businesses and individuals.

Cerebra's brand message, "Beyond the Numbers", represents our performance commitment to continually earn your trust. The mission of Cerebra, with local and international knowledge and experience that enables us to move beyond your numbers, is to exceed our clients' expectations through using such knowledge and experience in an innovative and proactive manner.

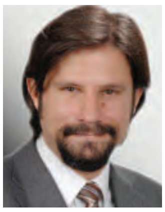
Cerebra offers the following services:

- Audit
- Fraud Investigation
- Accounting Compliance and Reporting
- Corporate Finance
- Turkish Commercial Code Compliance
- Management Consulting

Cerebra

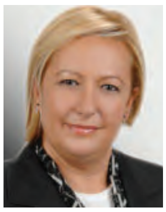
Fikret Sebilcioğlu
Partner
CPA, CFE

Worked with PwC Turkey and the Netherlands for 15 years. Became the founding partner of Cerebra in 2009. Has a wide range of experience in independent audit, forensic audit, consolidation, internal audit, internal controls, IFRS, US GAAP. Certifed Public Accountant and Certified Fraud Examiner. Board member of Corporate Governance Association of Turkey (TKYD).



Ömer Tunabaş
Partner

Worked with PwC Turkey and Alfa Securities for 6 years as an auditor and corporate finance consultant. Continued his career as an internal financial and business development consultant in Koç Holding for 10 years. Became a partner of Cerebra in 2010. Has a wide range of experience in independent audit, buy and sell side financial due diligence, M&A advisory, company valuation, budgeting and strategic planning.



Seda Bayraktar
Director
CPA

Worked total of 8 years in BDO and PwC. Continued her career as a CFO in Clear Channel Turkey before joining Cerebra in 2009 as the Head of Accounting Compliance and Reporting. Has a wide range of experience in independent audit, accounting and finance management, internal controls, IFRS and US GAAP.