

Rosexpertiza LLC Summary

1. General info about the Firm

Full name	Limited liability company "Rosexpertiza"
Registration	№ 183142, issued by Moscow Registration Chamber on September 23, 1993
Website address Сайт компании	www.rosexpertiza.ru
Head Office	Russia, 127055 Moscow, Tikhvinsky per., d. 7, str. 3 Tel.: (495) 721-38-83 Fax: (495) 721 38-94
Main branches	Saint-Petersburg, Krasnoyarsk

2. General information about Rosexpertiza LLC

Rosexpertiza LLC is one of the leading national firms providing services in audit, accounting reporting; management, financial, legal and tax consulting; information technologies and appraisal of property groups. The Company was established in 1993 while its founders - individuals – citizens of Russian Federation continue to work at Rosexpertiza LLC

Rosexpertiza also renders audit and audit-related services in accordance with the relevant legislation on audit practices and new requirements from the Federal Law № 307-FZ of December 30, 2008 "On Audit Practice", effective as from January 1, 2010. In particular, since that date, audit activities are no longer subject to licensing in Russian Federation which is substituted by mandatory membership of auditors and audit companies **in one of** the self-regulated organizations of auditors (SROA).

To comply with this new legislation, Rosexpertiza has terminated its membership in Institute of Professional Auditors (IPAR) and Institute of Professional Accountants and Auditors of Russia (IPB), while remaining in the **Russian Collegium of Auditors (RCA)**.

In its turn, RCA was granted by RF Finance Ministry with a status of a self-regulated organization and being entered into State Registrar of SROA. In line with legislation, RCA created its own Register of Auditors and Audit Organizations where Rosexpertiza is entered under the Main Registration Number (ORNZ) 10205006556. Earlier, the Company was operating under RF Finance Ministry License enabling to perform audit practice for the period till June 25, 2012.



NP " Russian Collegium of Auditors" is a professional organization of auditors, earlier accredited with Russian Federation Finance Ministry (RF FM Order № 145 of 16.07.2002, Accreditation Certificate № 5 of 17.07.02), and now is registered by RF Finance Ministry as a self-regulated organization (RF FM Order № 675 of 22.12.2009, Registration Number of Entry into SROA State Register - 05).

Created in 1992, RCA is one of the largest audit organizations in Russia. It has 52 regional branches with over 2 400 auditors and more than 560 audit organizations being its members. It is a Full Member of IFAC. RCA representatives sit on Board on Audit Practice under RF Finance Ministry and Boards of Audit in different subjects of Russian Federation.

As far as Rosexpertiza is concerned, it is necessary to mention that the Company has a license granted by the RF Federal Security Service to perform work which involves projects dealing with **state secrets**.

Rosexpertiza has also obtained a number of valid accreditations to provide professional services in the interests of a number of major companies and commercial banks including ROSNANO State Corporation and Russian Technologies State Corporation, OJSC "Atomenergoprom", OJSC "TNK-BP", Vnesheconombank State Corporation, Eurasian Development Bank (EADB), CJSC "Raiffeisenbank", Sberbank of Russia, OJSC "Bank "VTB", OJSC "Gasprombank" and many other production and financial structures.

In 2005 Rosexpertiza was registered by Public Company Accounting Oversight Board (PCAOB) in USA.

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Branches of Rosexpertiza LLC are located in Saint-Petersburg, Yaroslavl and Krasnoyarsk. There are representative offices of the Company in Nizhny Novgorod, Tula, Rostov-on-Don, Nalchik, Irkutsk and Khabarovsk. Besides, "**Rosexpertiza**" **Group of Companies** comprises LLC "Accounting Consultants" (Moscow), SEC "Business-Audit" Training Center" (Moscow), LLC "Rosexpertiza-Kaluga" (Kaluga).

As of mid-April 2012 the total number of the "**Rosexpertiza**" **Group of Companies**' employees exceeds 600 people (excluding partner companies) who have got significant expertise of working in various industries, leading international and national audit firms, large industrial enterprises and banks.

Currently, **Rosexpertiza LLC itself enlists** 359 employees, among those - 101 certified auditors, 26 specialists are ACCA members or have ACCA DipIFR certificates, 20 professionals obtained 2011 Auditor Qualification Certificates.

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The Company is regularly indicated in **industry rankings** while taking top positions in those. According to the ranking based on 2009 results Rosexpertiza LLC, being **the eighth** among the largest audit-consulting groups of Russia, was **the forth** by aggregate revenue from audit services and took **the first place** – by the revenue total from general audit services¹.

In addition, Rosexpertiza LLC continuously takes part in the Project "Russian Audit and Consulting" realized by the "Expert RA" rating agency. In 2006, the 10th anniversary of the Project, the Company received a Diploma of Acknowledgment and a medal as one of the winners in the category of "Leader of Russian Audit-Consulting Market". In 2009 "Expert RA" rating agency awarded Rosexpertiza LLC with Diploma and Commemorating Badge in the category of "Market Leader in Business Effectiveness".

According to All-Russian Business Rating on the 2010 performance results, Rosexpertiza LLC was ranked **the sixth** under the Classifier OKVED 74.12.2 "Audit Practice".

The following table is based on the analysis of the "Kommersant - DENG1" publication and shows the level of demand in **audit services** from Rosexpertiza LLC on the part of major Russian enterprises²:

¹ "Expert" magazine, № 11, 22-28 March 2010.

² Kommersant - DENG1", № 34, 30 August 2010. In 2011 there was no analogous survey held by the publication.

Company	Clients in TOP-300 major companies		Clients' Capitalization as of 30.06.10	
	Number	Rank	Min. US dollars	Rank
KPMG	46	1	130 589,1	4
PriceWaterhouseCoopers Audit	27	2	261 185,0	1
Deloitte and Touche CIS	22	3	61 388,6	5
BDO Unicon	22	4	20 193,9	7
Ernst & Young	19	5	169 654,3	2
Rosexpertiza	14	6	144 026,0	3
HLB Vneshaudit	13	7	10 691,4	8
Energy Consulting / Audit	10	8	21 233,3	6
Finexpertiza	10	9	3 956,0	10
NP Consult	8	10	6 256,0	9

Thus, Rosexpertiza LLC, taking the **sixth** place in this table (by number of major clients), is in the **third** place based on sum market capitalization of clients from 300 major Russian companies.

According to the rating of the largest Russian companies by market value (as of September 1, 2011) published by "Expert" magazine ("Capitalization-200"), there are 16 clients of the Company out of the first 200 companies with a total capitalization in the amount of 222,0 billion US dollars. In line with another rating of the same publication "Expert - 400" (largest Russian companies by selling volumes), the Company has 18 largest enterprises as its clients with total selling volumes of 109,0 billion US dollars in 2010.

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The main strategic partner of Rosexpertiza is **Grant Thornton International**, one of the world largest audit networks, which has commemorated its 30 year-anniversary. According to IAB data for 2011 GTI takes the 7 place among international networks with revenue of 3,8 billion US dollars. It comprises more than 30 thousand specialists including 2,6 partners working in 114 member forms located in over 100 countries on all five continents.

The following table shows placement of international audit networks based on the performance results in 2010/2011 (Top 10 out of 22)³ :

Rank	Name	Revenue, Million US dollars	%% to the Previous Season	Financial Year End
1.	PriceWaterhouseCoopers	29 223,0	10%	June 2011
2.	Deloitte	28 800,0	8%	May 2011
3.	Ernst & Young	22 880,0	8%	June 2011

³ International Accounting Bulletin, January 2012, Issue 501

4.	KPMG	22 710,0	10%	September 2011
5.	BDO	5 672,3	7%	September 2011
6.	RSM International	3 899,0	1%	December 2011
7.	Grant Thornton International	3 788,0	3%	September 2011
8.	Baker Tilly International	3 222,1	5%	June 2011
9.	Crowe Horwath International	2 894,9	6%	December 2011
10.	PKF International	2 621,2	7%	June 2011

In our country GTI is represented by the group of companies “Grant Thornton Russia” offering its customers a full range of audit-consulting services.



In December 2011, the professional market was informed about the launch of the project to merge professional practices of Rosexpertiza and Grant Thornton Russia under the single brand of Grant Thornton⁴. Thus, taking advantage of complementing strengths and industry expertise both parties count on significant boost of their market positions and attraction of many new – both Russian and international – customers.

Currently, “Grant Thornton Rosexpertiza” has completed a stage of state registration and is undertaking other status formalities. Upon completing all required procedures the new company is expected to start rendering services in this May - June.

3. . External Quality Control Reviews

The audit practice performed by Rosexpertiza LLC is in full compliance with relevant legislation requirements and is exclusively based on regulating legal acts of the Russian Federation including applicable Federal Rules (Standards) of Audit Practice.

In the process of a quality control review of audit works and documents in July 2003, a quality controller from the Institute of Professional Auditors of Russia verified relevant audit documents and procedures of Rosexpertiza LLC envisaged by Standard Compliance Review Program of Compliance with license requirements and conditions, as well as quality of work of audit organizations (approved by the RF Finance Ministry on 17.05.03). As a result of this review compliance of Rosexpertiza LLC activity with requirements of the Federal Law “On Audit Practice” and other documents regulating audit work in Russia was confirmed. **The Company was issued Quality Certificate of Audit Services № 31 of 23.10.03.**

Due to the fact that the abovementioned Quality Certificate of Audit Services had expired, the Company initiated another quality review to be carried out by an accredited professional union of auditors. The review was carried out in October 2006 by specialists of the Institute of Professional Accountants (IPB) of Russia and the audit work of Rosexpertiza LLC specialists got their high estimate. The Company was issued **Conclusion on Results of Quality Control**

⁴ «Kommersant» newspaper, № 233 (4774), 13.12.2011 (<http://kommersant.ru/doc/1837084>)

№ A4-2/2006 of 15.11.06 in respect to audit services provided and observation of professional ethics.

In October 2007, Rosexpertiza LLC underwent another planned quality control procedures on the part of IPAR. Based on the review results the Company was given **Quality Certificate of Audit Services № 150 of 07.11.07.**

The latest quality control review took place in October 2009 and was performed by Russian Collegium of Auditors. Based on its results, the Company was issued a new **Quality Certificate of Audit Services № 33 of 13.10.09.**

Besides, quality of Rosexpertiza LLC specialists' work has repeatedly been subject to review on the part of international organizations such as international associations of Moores Rowland International, Praxity and Grant Thornton International, as well as World Bank.

4. Professional indemnity coverage

Management of Rosexpertiza LLC considers that the quality of audit services provided to the customers is fully ensured by thorough compliance of the Company's specialists with audit methodological principles and technological procedures set out in regulating documents of the RF on audit work (including current Federal Rules (Standards) of Audit Practice) and intra-company standards.

Moreover, the audit work of Rosexpertiza LLC is subject to control by internal (Quality Control Sector of the Audit and Methodology Department) and external authorities, from accredited professional organizations of auditors (currently – self-regulated organizations of auditors) to foreign quality controllers representing various international organizations (Praxity association, World Bank, PCAOB, etc).

At the same time, the Company consistently continues the policy of insuring its professional activities. In the context of these technical terms the existence of the valid insurance police (agreement) to cover the auditor's professional indemnity (professional indemnity coverage for contractual breach) is considered by us as an **objective guaranty of quality of provided audit services.**




Rosexpertiza LLC annually provides professional indemnity coverage for contractual breach to render audit-related services with a common retroactive date – January 01, 2000.

The Company insures its 2012 professional activities with OJSC "MSK Insurance Group", one of the leading insurance companies in Russia. The established coverage limit of Rosexpertiza LLC is **1 200 000 (one million two hundred thousand) US dollars.**

5. General credentials of Rosexpertiza LLC on the audit market

Since 1993, the Company has comprehensive experience in providing audit and consulting services to large Russian structures representing practically the full spectrum of basic industries of Russian economy. There are the following clients among those:

Fuel and Energy Enterprises

-  OJSC "Surgutneftegaz" (1995-2011);
-  OJSC "NK "Rosneft" (2009-2011);
-  OJSC "Zarubezhneft" (1997-2002, 2006-2011);

- ▲ OJSC “Nortgaz” (2003-2010);
- ▲ OJSC «Raspadskaya» (2005-2011) and others;

Metallurgical Enterprises

- ▲ OJSC GMK “Norilsk Nickel” (1997-2011);
- ▲ OJSC “Krasnoyarsky Plant of Non-ferrous metals named after V.N. Gulidov” (2002-2011);
- ▲ OJSC “Mechel” (2004-2005, 2007);
- ▲ OJSC “Polyus Zoloto” (2005-2011);
- ▲ OJSC “Severstal” (2003-2007) and others;

Energy Enterprises

- ▲ OJSC “Dal’energo” (2005-2008);
- ▲ OJSC “Kirishskaya GRES” (2004-2005);
- ▲ OJSC “Mosenergo” (2005-2006);
- ▲ OJSC «TGK-2» (2007-2009);
- ▲ OJSC «OGK-3» (2007-2009) and others;

Nuclear Power Energy and Fuel Enterprises

- ▲ OJSC “PO “Electrical Chemical Factory”, Zelenogorsk (1999-2008);
- ▲ OJSC “Uralsky Electrical Chemical Plant”, Novouralsk (1999-2008);
- ▲ FGUC “Mining-Chemical Plant”, Zheleznogorsk (1999-2009);
- ▲ FGUC “Kombinat “Elektrokhimpribor”, Lesnoi (1999-2009);
- ▲ OJSC “Angarsky Electrolysis Chemical Plant “ (2000-2008) and others;

Machine-Building Enterprises

- ▲ OJSC “Severnaya Verf” Ship-Building Plant” (2002-2011);
- ▲ OJSC “Power Machines” Contzern (1997-2010);
- ▲ OJSC “Energia” RKK named after S.P. Korolev (1999-2007);
- ▲ FGUC “PO”Sevmash” (2005-2007);
- ▲ “GAZ” Group (2008-2011) and others;

Electronics Enterprises

- ▲ FGUC “Kaluzhsky Research Institute for Telemechanic Equipment” (2000-2009);
- ▲ FGUC “NPO of Applied Mechanics named after Reshetnev M.F.” (2006-2008);
- ▲ FGUC “Kombinat “Elektrokhimpribor” (1999-2010);
- ▲ FGUC “NPO of Electrical Mechanics” (2003-2007);
- ▲ FGUC “Zavod”Topaz” (2003-2009) and others;

Transportation Enterprises

- ▲ OJSC “SG-Trans”» (2002-2006, 2008, 2010-2011);
- ▲ OJSC “North-Western Steamship” (2001-2011);
- ▲ KhK “Sovtransavto” (2000-2007);
- ▲ OJSC “Rostov-on-Don Airport” (2001-2011);

- ▲ OJSC “UTair Airline” (2004-2011) and others;

Communications Enterprises

- ▲ FGUC “Post of Russia” (2003-2008);
- ▲ OJSC “Vimpelcom” (2003-2011);
- ▲ CJSC “Sinterra” (2004-2007);
- ▲ CJSC “Skylink” (2005-2010);
- ▲ OJSC “Rostelekom” (DZO) (2004-2011) and others;

Commerce and Retailing

- ▲ “Nezavisimost” Group of Companies (2004-2011);
- ▲ LLC “Lerua Merlen Vostok” (2007-2009);
- ▲ “Victoria” Group of Companies (2009-2011);
- ▲ TF “Oriflame Cosmetics Ltd” (2003-2009);
- ▲ LLC “Retail Partners Rus” (2006-2008) and others;

Commercial Banks

- ▲ IB “Kit Finans” (2009-2011);
- ▲ LLC “Vneshprombank” (2004-2011);
- ▲ LLC “Bank “Moskva-City” (2006-2011);
- ▲ OJSC “Surgutneftegazbank” (2011);
- ▲ OJSC “International Investment Bank” (2011) and others;

Other Industries

- ▲ OJSC “VO Tekhnopromexport” (1998-2005, 2007-2011)
- ▲ OJSC “Rosspirtprom” (2004-2006);
- ▲ OJSC “Rosgosstrakh” (2002-2011);
- ▲ OJSC “Roskhleboprodukt” (1999-2008);
- ▲ OJSC “Evrotzement Group” (DZO) (2004-2011);
- ▲ Vostok-Servis Group of Companies (2006-2011);
- ▲ RF Chamber of Commerce (2004-2007);
- ▲ Financial Academy under the RF Government (2006-2011);
- ▲ VMO “State Tretyakov Gallery” (1999-2011) and others.

Four companies out of 26 Russian companies listed in **Forbes Global 2000** (two thousand largest world companies) are clients of Rosexpertiza LLC in the area of statutory audit⁵.

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It is important to pay attention to the comprehensive nature of services that are provided, as a rule, to holding and system-forming companies.

First, provision by the auditor of the audit-related services is logically predetermined by **the use of information base** accumulated in the process of audit (in international audit environment such services are described by the term ABS (Assurance Based Services);

⁵ http://www.forbes.com/global2000/list/#p_1_s_arank_All_All_Russia

Second, long-time cooperation with such customers allows the auditor **to apply consistently a systemic approach** in the process of streamlining their economic activities and eliminating external and internal financial and legal risks.

Among the services in the highest demand are the following:

-  tax audit and consulting, including performance of special tax expertise, audit with agreed level of materiality, as well as identification of tax reserves (overpayments) (OJSC “Surgutneftegaz”, OJSC “MMC “Norilsk Nickel”, OJSC “UTair Airline”, OJSC “Eastern-Siberian Oil Company”, GK Rostekhnologii, OJSC “VSMPO-AVISMA Corporation” and others);
-  reconstructing of tax reporting systems, including implementation of automatic data processing (Rosatom enterprises, OJSC “UralAZ”, OJSC “Krazsvetmet” and others);
-  reconstructing and unification of accounting and management records systems including development of corporate reporting policies for the purposes of accounting and tax reporting (OJSC “MMC “Norilsk Nickel”, “EvroKhim” Group, OJSC “Sukhoi” Company” and others);
-  consolidating and transforming of financial statements in accordance with IFRS (OJSC “MMC “Norilsk Nickel”, OJSC “Surgutneftegaz”, OJSC “Zarubezhneft”, OJSC “Vimpelcom”, OJSC “Power Machines” Contzern, “OTTO Group Business Development” Group of Companies, OJSC “Rosgosstrakh” and others);
-  estimating of construction in progress, other assets and business (stakes) as a whole, pre-sale preparation of stakes (OJSC “MMC “Norilsk Nickel”, OJSC “NK “Slavneft”, OJSC “Rosgosstrakh”, OJSC “Rostelekom”, OJSC “OGK-3”, OJSC “AvtoVAZ”, OJSC “Volga Telecom”, OJSC “Tzentr Telecom”, OJSC “VO “Tekhnopromexport” and others);
-  services in corporate finances including restructuring of holdings, transfer to a single share and forming of capitalization centers (OJSC “Surgutneftegaz”, OJSC “MMC “Norilsk Nickel”);
-  providing services in the field of legal support of a business including a presentation of a client at every stage of pre-trial, court and arbitration deliberations (OJSC “UTair Airline”, OJSC “Eastern-Siberian Oil Company”, OJSC “PO “Electrical Chemical Factory” of Rosatom and others);
-  services in the field of training and professional development of employees in reporting, tax and control entities, organization of target seminars, appraisals, etc. (OJSC “Surgutneftegaz”, OJSC “Gazpromneft”, RF Chamber of Commerce, CJSC “LUKoil-Trans”, OJSC “VO “Tekhnopromexport”, OJSC «NK «Rosneft» and others).