

Summary of Rosexpertiza LLC Including Info about Its Credentials at Audit Services Market

1. 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 being entered into State Registrar of SROA. In line with the 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 № 20694 of 30.01.2012 granted by 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, JSC “NK “Rosneft”, JSC “Atomenergoprom”, JSC “TNK-BP”, “Vnesheconombank” State Corporation, Eurasian Development Bank (EADB), CJSC “Raiffeisenbank”, Sberbank of Russia, JSC “Bank “VTB”, JSC “Gasprombank” and many other production and financial structures.

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

* * *

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 OOO “Accounting Consultants” (Moscow), NOU “Business-Audit” Training Center” (Moscow), OOO “Rosexpertiza-Kaluga” (Kaluga).

At the beginning of 2013 the total number of the **“Rosexpertiza” Group of Companies’** employees exceeds 400 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** 349 employees, among those - 93 certified auditors, 26 specialists are ACCA members or have ACCA DipIFR certificates. ***The Company has 45 professionals who obtained 2011 Unified Auditor Qualification Certificates.***

According to the Staff Schedule of Rosexpertiza LLC, a number of employees of various units of the Company, including information about certified auditors, is the following as of January 1, 2013:

Unit	Number according to Staff Schedule	
	Total	Incl. certified auditors
Governance Unit	10	4
Audit Department	201	67
IFRS Department	38	15
Tax and Legal Consulting Department	31	7
Corporate Finances Department	36	0
Administration Department	33	0
Total	349	93

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”.

¹ “Expert” Magazine, № 11, 22-28 March 2010.

According to All-Russian Business Rating on the 2010 performance results, Rosexpertiza LLC was ranked **the sixth**², under the Classifier OKVED 74.12.2 “Audit Practice” and was ranked **the fifth**³ by the same source in 2011.

The following table is based on the analysis of the “Kommersant - DENG!” publication and shows the level of demand in **audit services** from Rosexpertiza LLC on the part of major Russian enterprises ⁴:

Company	Clients among TOP-300 major companies		Clients' Capitalization as of 30.06.10	
	Number	Rank	Mln. 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 and 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.

There was no analogous survey held by the publication in the consecutive years. However, a “manual” calculation that can be done based on the current rating of the largest Russian companies by market value (as of September 1, 2012) published by “Expert” magazine (“Capitalization-200”)⁵, shows that there are 13 continuing clients of the Company out of the first 200 companies with a total capitalization in the amount of 150,9 billion US dollars.

2. 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 the basic industries of Russian economy. There are the following clients among those:

Fuel and Energy Enterprises

-  OAO “Surgutneftegaz” (1995-2012);
-  OAO «NK «Rosneft» (2009-2011);
-  OAO “Zarubezhneft” (1997-2002, 2006-2012);

² <http://business-rating.net/index.php?REGI=0&DEYT=1217&PGID=23&RATING=1>

³ <http://business-rating.net/index.php?REGI=0&DEYT=1217&PGID=23&RATING=5>

⁴ Kommersant - DENG!, № 34, 30 August 2010. There was no analogous survey made by the publication in the consecutive years.

⁵ «Expert» Magazine, № 39, 1-7 October 2012.

- 🚧 OAO “Nortgaz” (2003-2010, 2012);
- 🚧 OAO «Raspadskaya» (2005-2012) and others;

Metallurgical Enterprises

- 🚧 OAO GMK “Norilsk Nickel” (1997-2012);
- 🚧 OAO “Krasnoyarsky Plant of Non-ferrous metals named after V.N. Gulidov” (2002-2012);
- 🚧 OAO “Mechel” (2004-2005, 2007);
- 🚧 OAO “Polyus Zoloto” (2005-2012);
- 🚧 OAO “Severstal” (2003-2007) and others;

Energy Enterprises

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

Nuclear Power Energy and Fuel Enterprises

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

Machine-Building Enterprises

- 🚧 OAO “Severnaya Verf” Ship-Building Plant” (2002-2011);
- 🚧 OAO “Power Machines” Contzern (1997-2010);
- 🚧 OAO “Energia” RKK named after S.P. Korolev (1999-2007);
- 🚧 FGUP “PO”Sevmash” (2005-2007);
- 🚧 “GAZ” Group (2008-2012) and others;

Electronics Enterprises

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






Transportation Enterprises

- 🚧 OAO “SG-Trans” (2002-2006, 2008, 2010-2012);
- 🚧 OAO “North-Western Steamship” (2001-2012);
- 🚧 KhK “Sovtransavto” (2000-2007);
- 🚧 OAO “Rostov-on-Don Airport” (2001-2012);
- 🚧 OAO “UTair Airline” (2004-2012) and others;

Communications Enterprises

-  FGUP “Post of Russia” (2003-2008);
-  OAO “Vypelcom” (2003-2012);
-  ZAO “Sinterra” (2004-2007);
-  ZAO “Skylink” (2005-2010, 2012);
-  OAO “Rostelekom” (DZO) (2004-2012) and others;






Commerce and Retailing

-  “Nezavisimost” Group of Companies (2004-2011);
-  OOO “Lerua Merlen Vostok” (2007-2009);
-  “Victoria” Group of Companies (2009-2012);
-  TF “Oriflame Cosmetics Ltd” (2003-2009);
-  OOO “Retail Partners Rus” (2006-2008) and others;

Commercial Banks

-  IB “Kit Finans” (2009-2012);
-  OOO “Vneshprombank” (2004-2012);
-  OOO “Bank “Moskva-City” (2006-2012);
-  OAO “Surgutneftegazbank” (2011-2012);
-  OAO “International Investment Bank” (2011-2012) and others;

Other Industries

-  OAO “VO “Tekhnopromexport” (1998-2005, 2007-2012)
-  OAO “Rosgosstrakh” (2002-2012);
-  OAO “Evrotzement Group” (DZO) (2004-2012);
-  Financial Academy under RF Government (2006-2011);
-  VMO “State Tretyakov Gallery” (1999-2011) and others.


9 companies out of 28 Russian companies listed in **Forbes Global 2000** (two thousand largest world companies) are clients of Rosexpertiza LLC in the area of statutory audit⁶.

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));

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) (OAO “Surgutneftegaz”, OAO “GMK “Norilsk Nickel”, OAO “UTair Airline”, OAO “Eastern-Siberian Oil Company”, GK Rostekhnologii“, OAO “VSMPO-AVISMA Corporation” and others);

⁶ http://www.forbes.com/global2000/list/#p_1_s_arank_All_All_Russia

- ✦ reconstructing of tax reporting systems, including implementation of automatic data processing (Rosatom enterprises, OAO “UralAZ”, OAO “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 (OAO “GMK “Norilsk Nickel”, “EvroKhim” Group, OAO “Sukhoi” Company” and others);
- ✦ consolidating and transforming of financial statements in accordance with IRFS (OAO “GMK “Norilsk Nickel”, OAO “Surgutneftegaz”, OAO “Zarubezhneft”, OAO “Vympelcom”, OAO “Power Machines” Contzern, “OTTO Group Business Development” Group of Companies, OAO “Rosgosstrakh” and others);
- ✦ estimating of construction in progress, other assets and business (stakes) as a whole, pre-sale preparation of stakes (OAO GMK “Norilsk Nickel”, OAO “NK ”Slavneft”, OAO “Rosgosstrakh”, OAO “Rostelekom”, OAO “OGK-3”, OAO “AvtoVAZ”, OAO “Volga Telecom”, OAO “Tzentr Telecom”, OAO “VO ”Tekhnopromexport” and others);
- ✦ services in corporate finances including restructuring of holdings, transfer to a single share and forming of capitalization centers (OAO “Surgutneftegaz”, OAO GMK “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 (OAO “UTair Airline”, OAO “Eastern-Siberian Oil Company”, OAO “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. (OAO “Surgutneftegaz”, OAO “Gazpromneft”, RF Chamber of Commerce, ZAO “LUKoil-Trans”, OAO “VO ”Tekhnopromexport” , OAO «NK «Rosneft» and others).

In order to give examples of the comprehensive approach to provide services to clients we would like to report about the experience Rosexpertiza LLC has while rendering services to the following Clients:



OAO “Surgutneftegaz”. There are 59 structural units on a separate balance, 16 subsidiaries and affiliated companies, 102 thousand employees. Provision of services since 1994. The main services are the following:

- statutory annual audits for 1995-2012;
- development of accounting policies for the purposes of accounting and tax reporting, development of intracompany standards of accounting reporting;
- current consulting on accounting reporting and taxation methodology, tax audit;
- audits of statements under IFRS (since 2009).



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OAO “GMK “Norilsk Nickel”. Provision of services since 1995. The main services are the following:

- statutory annual audits for 1997-2012;
- development of internal standards of accounting reporting, development of accounting policies for the purposes of accounting

- and tax reporting;
- IFRS consulting;
- services of appraisal, tax audit;
- services of staff training and professional training.



ОАО “NK “Rosneft”. There are 307 subsidiaries and affiliated companies, 171 thousand employees. Provision of services since 2009. The main services are the following:

- statutory audits of subsidiaries and affiliates and consolidated statements for 2009-2011;
- restructuring of accounting policies for the purposes of accounting and tax reporting;
- organizing lectures and seminars on industries’ specifics of accounting reporting and taxation for relevant employees of the Group companies;
- current consulting on reporting, taxation and legal support of activities.



FGUP “Post of Russia”. There are 87 regional and specialized branches that unite 1100 post offices, over 353 thousand employees. Provision of services since 2003. The main services are the following:

- statutory annual audits for 2003-2008;
- development and implementation of internal regulations, methodical recommendations, accounting standards with the account for industry and structure specifics of Client;
- current consulting on accounting reporting and taxation;
- preparation of statements under IFRS.



ОАО “Rosgosstrakh”. There are 75 branches, 2700 agencies and insurance offices, 64 thousand employees. Provision of services since 2003. The main services are the following:

- statutory annual audits for 2002-2012;
- development of accounting policies for the purposes of accounting and tax reporting;
- services of appraisal;
- tax audit;
- current consulting on accounting reporting and taxation methodology.



“GAZ” Group. There are OAO “GAZ”, 18 other car-making enterprises and 33 selling and servicing subsidiaries, 118 thousand employees. Provision of services since 2008. The main services are the following:

- statutory audits of Head Enterprise, all subsidiaries and affiliates and consolidated statements for 2008-2012;
- development of accounting and tax reporting standards;
- unification of reporting automated systems;
- current consulting.



CJSC “Evrocement Group”. There are 18 cement plants and 22 selling and servicing companies, over 32 thousand employees. Provision of services since 2004. The main services are the following:

- statutory annual audits of subsidiaries and affiliates for 2004-2012;
- current consulting on accounting reporting and taxation methodology;
- services of appraisal in respect to prospective objects for investments;
- financial and legal Due Diligence;
- protection of interests in arbitration proceedings.



“Vypelcom” Group of Companies. There are 75 branches and 137 legal entities – operators of mobile communications, production and servicing companies, over 30 thousand employees. Provision of services since 2003. The main services are the following:

- statutory annual audits (RAS) for 2003-2012;
- annual audits under IFRS (in cooperation with Ernst & Young);
- development of internal accounting reporting standards;
- services of staff training and professional training;
- services of appraisal;
- tax audit.

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 Russian Federation including applicable Federal Rules (Standards) of Audit Practice.

Since 2003 Rosexpertiza LLC has actively participated in programs of external quality control reviews on the part of Russian professional audit organizations which it is a member of. Over this period the quality of the Company work has been reviewed by external quality controllers. Furthermore, the 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 and Praxity, as well as World Bank. The results of all quality reviews of Rosexpertiza LLC have been positive.

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 RF Finance Ministry on 17.05.03).

As a result of this review compliance of Rosexpertiza LLC activity with requirements of 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 № 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.**

Another 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.** The next planned review on the part of NP “RCA” is scheduled for Q4 2012.

Meanwhile, an external quality review of Rosexpertiza LLC audit services was completed on June 8, 2012 which was made by Federal Service of Financial-Budget Oversight (Rosfinnadzor). Based on its work, the Company was provided with **an External Quality Review of Rosexpertiza LLC Work Act of 08.06.12** which states the compliance of Rosexpertiza LLC work quality with the requirements of Federal Law # 307-FZ “On Audit Practice” of December 30, 2008, auditing standards, Independence Rules for Auditors and Audit Companies and Code of Professional Ethics.

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 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 and 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** and which is extended for the following year upon the next calendar year beginning.



OAO “MSK Insurance Group” was founded in 1993. As of today, OAO “SG ‘MSK’ ” is a high-technological universal insurance company which makes part of one of the largest insurance holdings created in 2007 – “Stolichnaya Insurance Group”.

In February 2010, companies being leaders in national insurance market, OAO “Moscow Insurance Company” and Insurance ZAO “MSK-Standart” (earlier – Insurance ZAO “Standart-Rezerv”) were integrated into OAO “MSK Insurance Group”. In April 2011, “Insurance Group “Spasskie Vorota”, which was also one of the largest Russian insurance companies, joined OAO “MSK Insurance Group”.

Thus, as a result of uniting, “SG ‘MSK’ ” has absorbed almost 20 years of experience of four insurance companies with every one of which being at the dawn of insurance market in Russia. The united company takes the 8th place in the rating of insurance companies per volume of insurance premiums collected in 2010, has over 6 000 employees on its payroll, The Charter Capital of the united company is 9.5 billion rubles and is the largest in the Russian insurance market. Thanks to its 154 branches, SG MSK has the most expansive network of branches among national insurers and is represented in all regions of Russia.

Financial stability of OAO “SG “MSK” is confirmed by Fitch International rating agency which allocated to a united company a ranking of financial stability under international scale of “BB” (RWN) and under national scale of «AA-(rus)» (RWN). “Expert RA” rating agency provided OAO “SG ‘MSK’ ” with a reliability ranking of A+ level (“Very High Level of Reliability”).

It is noteworthy, that over the whole period of professional activity of Rosexpertiza LLC insurance coverage has been never implemented which is explained by absence of insurance cases.