

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 № 23816 of 06.08.2013 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 LLC “Accounting Consultants” (Moscow), NOU “Business-Audit” Training Center” (Moscow), LLC “Rosexpertiza-Kaluga” (Kaluga).

At the beginning of 2014 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 42 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, 2014:

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.

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”.

In 2013 the Company held the 24th rating position (28th in 2012) with RUB 765,5 million annual revenue. As to the audit services revenues, Rosexpertiza holds 16 (16) position, including 13 (14) position as to the general audit, 10 (11) position as to the banking audit and 2 (3) position as to the insurance business audit. Besides, the Company holds 11 (13) position as to the assessment operations and 14 (15) position as to the IAS services revenue amount.

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” and was ranked **the fifth** by the same source in 2011. No rating was held in 2012 and 2013.

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:

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 of Russian business clients.

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”)¹, 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

-  OJSC “Surgutneftegaz” (1995-2013);
-  OJSC «NK «Rosneft» (2009-2011);
-  OJSC “Zarubezhneft” (1997-2002, 2006-2013);
-  OJSC “Nortgaz” (2003-2010, 2012-2013);
-  OJSC «Raspadsкая» (2005-2012) and others;

¹

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

Metallurgical Enterprises

-  OJSC MMC Norilsk Nickel (1997-2013);
-  OJSC “Krasnoyarsky Plant of Non-ferrous metals named after V.N. Gulidov” (2002-2013);
-  OJSC “Mechel” (2004-2005, 2007);
-  OJSC “Polyus Zoloto” (2005-2013);
-  OJSC “Severstal” (2003-2007,2013) 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);
-  FGUP “Mining-Chemical Plant”, Zheleznogorsk (1999-2009);
-  FGUP “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 (1997-2010,2012);
-  OJSC “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

-  OJSC “SG-Trans” (2002-2006, 2008, 2010-2012);
-  OJSC “North-Western Steamship” (2001-2013);
-  KhK “Sovtransavto” (2000-2007);
-  OJSC “Rostov-on-Don Airport” (2001-2012);
-  OJSC “UTair Airline” (2004-2013) and others;

Communications Enterprises

-  FGUP “Post of Russia” (2003-2008);

- 🚩 OJSC “Vypelcom” (2003-2013);
- 🚩 CJSC “Sinterra” (2004-2007);
- 🚩 CJSC “Skylink” (2005-2010, 2013);
- 🚩 OJSC “Rostelekom” (DZO) (2004-2013) and others;

Commerce and Retailing

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

Commercial Banks

- 🚩 IB “Kit Finans” (2009-2013);
- 🚩 LLC “Vneshprombank” (2004-2013);
- 🚩 LLC “Bank “Moskva-City” (2006-2013);
- 🚩 OJSC “Surgutneftegazbank” (2012-2013);
- 🚩 OJSC “International Investment Bank” (2011-2013) and others;

Other Industries

- 🚩 OJSC “VO “Tekhnopromexport” (1998-2005, 2007-2013)
- 🚩 OJSC “Rosgosstrakh” (2002-2013);
- 🚩 OJSC “Evrotzement Group” (DZO) (2004-2013);
- 🚩 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 audit².

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) (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);

² http://www.forbes.com/global2000/list/#p_1_s_arank_All_All_Russia

- ✦ 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 IRFS (OJSC MMC Norilsk Nickel, OJSC “Surgutneftegaz”, OJSC “Zarubezhneft”, OJSC “Vypelcom”, 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).

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.

Finally, on July 25, 2013. Aleksandr Ruf, president of the Central Council of SROA NP Russian Collegium of Auditors handed to Aleksandr Kozlov, general director of Rosexpertiza LLC **Certificate #1 dated of July 22, 2013** summarizing the results of planned procedures of external control of services quality of auditing entity member of RCA. The document states that Rosexpertiza activities correspond to the requirements of Federal Law on audit activity, federal standards of audit activity, regulations of independent auditors and professional ethics code, as well as to the conditions of RCA membership.

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.

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 2014 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.



OJSC "MSK Insurance Group" was founded in 1993. As of today, OJSC "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, OJSC “Moscow Insurance Company” and Insurance CJSC “MSK-Standart” (earlier – Insurance CJSC “Standart-Rezerv”) were integrated into OJSC “MSK Insurance Group”. In April 2011, “Insurance Group “Spasskie Vorota”, which was also one of the largest Russian insurance companies, joined OJSC “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 OJSC “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 OJSC “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.