

Finance function IPO readiness

As a part of this work, we help our clients with tax support, implementation of corporate governance processes and risk management

Goals and Challenges

Our experience confirms that one of the main goals for a company conducting an IPO is to ensure the following functions inside the company:

- Corporate governance, including a board of directors, an audit committee, a remuneration committee, a nomination committee and risk committee;
- Risk management, including a risk committee and procedures for operational and financial risk management;
- A finance function capable of ensuring financial statements are issued on time and in strict compliance with relevant standards.

The following are of particular importance for the finance function:

- Providing investors with timely and reliable financial and management information;
- Being able to generate monthly financial statements and management reports, for performing variance analysis and providing accurate forecast information, according to IFRS;
- Having an efficient internal control system that is integrated into accounting and reporting processes.

What we do

Deloitte has a comprehensive IPO readiness methodology that encompasses several directions. The scheme below presents a typical map to market which we use as a framework through which to assist our clients with improving and developing improved financial reporting procedures, reducing the financial period closing time, and implementing other financial management tools required to ensure compliance with shareholder requirements. As a part of this work, we help our clients with tax support, implementation of corporate governance processes and risk management.

Our approach

For IPO readiness projects, we form a professional team of consultants and use our global knowledge database and unique experience in IPO preparation. We usually advise the client to do the following:

1. Improve financial and management reporting and budgeting processes to comply with financial market requirements and recommendations, which involves:
 - Development and implementation of financial and management reporting procedures in accordance with IFRS;
 - Development and implementation of budgeting procedures in accordance with IFRS;
 - Creation and implementation of internal controls as part of the financial reporting process;
 - Implementation of any required changes to organizational structure and regulations for the work of the finance department;
 - Selection and implementation of the appropriate IT-system for the reporting process.
2. Take steps to reduce the financial statements closing period for IFRS reporting through the following:
 - Creating a schedule for period closing according to accounting section;
 - Optimizing business processes that affect the closing process to stop bottlenecks and reduce closing time
 - Developing and implementing accruals methodology for material expenses
 - Optimizing procedures, the model for transformation and consolidation, control procedures, IFRS chart of accounts; and developing standard procedures for IFRS adjustments to reduce the time given to transformation and consolidation processes.

How your business will benefit

As a result of our work we provide you with a toolkit of procedures to undertake, including:

- A comprehensive plan, preparing the finance function for the IPO and for further improvement;
- IFRS compliant accounting policy and instructions;
- Accruals methodology;
- Transformation and consolidation model and regulations;
- Budgeting procedure and budget transformation model;
- Album of management reporting forms and regulations;
- Closing calendar and procedures;
- A set of key control procedures.

The importance of this project is in bringing your finance function in line with best international practice and helping you in meeting shareholders' and investors' expectations. In future, your company will therefore enjoy a significant competitive advantage.

Going public: general overview

Assessing the funding strategy and possible	Transaction Services/Corporate Finance						
	Valuation advice	Strategic options review	Pre-IPO fundraising	Long form report	Working capital report	Third party valuations/ independent expert reports	Mergers & acquisitions
	Tax support						
	Tax Due Diligence	Personal tax planning	development of optimal corporate structure	structure of exit strategy for shareholders	Development/ Analysis of proposed IPO structure		
	Accounts & Audit						
	Transformation	Audited financial statements for 3 years	Accountant's Report				
	Corporate Governance						
	Risk management	Internal control system	Data completeness and reliability	Committee structure development	Corporate social responsibility	Professional development of management	Internal audit function
	Financial Reporting Procedures						
	Financial reporting/Fast close	Budgeting and forecasting	Management reporting	IT support	Implementation of systems		
	Human Capital						
	Hiring Key Management	Development of human capital	Rewards and motivation	Corporate structure review			
	Change Support						
	Communications	Training	Effective work with investors	Maintenance of business focus			
Nomad/Sponsor							
Advice and Assistance for IPO Pricing/Regulatory Requirements	Communication with the stock exchange	Coordination of work of other advisors	Coordination of prospectus preparation and due diligence process			Independent strategic advice	
Broker							
Brokering the deal: "Book Building"	Analytical research	Road Show					
Legal Support							
Legal Due Diligence	Review of changes to the article of association and directors' contracts	Assistance in corporate restructuring and raising capital	Overview of preparations for the admission document and verification				
Project/Change Management							
Technical Support							
Risk Management							

* Support with finance function transformation

Previous Experience

Producer of Non-Ferrous Metals

Finance function preparation as part of an IPO on the principal market of the LSE; assistance in developing an IFRS accounting policy, model and procedures for report preparation, management accounting forms, IFRS budget, and control procedures; and training finance and accounting department staff.

Oil and Gas Company

Financial function preparation as part of GDR issue on LSE; assistance in developing an IFRS accounting policy, model and procedures for report preparation, operating accounting forms, management accounting methodology, and IFRS budget; and establishment of controls.

Deloitte Academy

Deloitte Academy has provided high-quality consulting and educational services.

We are constantly developing new and improved learning solutions for individual learners and for a wider corporate audience.

Currently we offer the following courses:

- International Financial Reporting Standards (IFRS) courses in two formats: open workshops for general information on IFRS, and corporate workshops for tailored information on IFRS based on your company's needs
- Individually-tailored training courses: workshops and seminars designed for your company

International Financial Reporting Standards courses

IFRS continue to grow in significance throughout the world, and they are becoming increasingly important in Russia and the CIS as well. Having gained valuable experience providing professional services to IFRS adopters, we are pleased to offer leading courses to improve your understanding of the principles behind IFRS and develop your practical skills when using IFRS.

Our courses are given in both open and corporate formats:

- Open IFRS workshops: These workshops focus on the theoretical principles behind IFRS reporting, with participants learning through various activities and by examining individual cases.
- Corporate IFRS workshops: Our corporate programs are tailored to the specific needs of the corporate client, taking into account the company's business practices and the specifics of its industry.

Individually-tailored corporate courses

Our individually-tailored courses are supported by Deloitte experts who have much practical experience of delivering successful projects on the following subject matters:

- Accounting: Russian Accounting Standards (RAS); Accounting Principles Generally Accepted in the United States (US GAAP)
- Financial Management: budgeting; fast close; financial statement analysis; finance for non-financial managers
- Initial Public Offerings (IPO): finance management; strategic considerations; step-by-step guide to getting listed on various stock exchanges; IPO project management
- Operational Excellence: project management; quality management; performance management
- Enterprise Risk Management: internal audit; risk management; internal control

Our training courses are not limited to the above list of topics alone, and we are happy to arrange training on any subject which is important to your company's operations and will help you to develop.

Performance management

Integrated performance management

Goals and Challenges

- Increase the ability to manage and control the business
- Reduce expenses on processing financial and economic information for management decision-making;
- Increase effectiveness and quality of management decision-making in businesses with complex structures.

Our services

Implementation, development and re-engineering of performance management system elements:

- Strategic and mid-term planning;
- Budgeting;
- Management reporting;
- KPI system;
- Cost management;
- Personnel motivation system.

experience in various industries, such as the Enterprise Value Map™ and Deloitte Industry Print.

How your business will benefit

Management system integration provides the following advantages:

- Reduced time for management reporting
- Transparent and justified structure for allocating responsibilities in order to improve performance as measured by KPIs
- Standard, objective and consistent information from various departments
- Unified management reporting standards for all entities inside the group
- Efficient system for resource planning and allocation system
- Management reporting system which provides the required level of details by department, process, product, etc.



Combining separate elements and integrating them into a corporate governance system based on a single information platform created from one of a wide range of software products (SAP, Oracle, Microsoft Dynamics AX, 1C).

Roll-out of an integrated governance system for a group of companies.

Our approach

Deloitte services are based on the consideration performance management as a single business process aimed at increasing shareholder value and comprising of interrelated elements.

Deloitte consultants have experience in complex development and implementation of integrated performance management systems – from testing the company's management systems through developing the integration concept to supporting implementation of automated solutions for dashboard visualization, KPI planning, control, accounting and monitoring. During the development process, we use methodological tools with proven success records, based on Deloitte's global

Previous Experience

Major National Oil Company

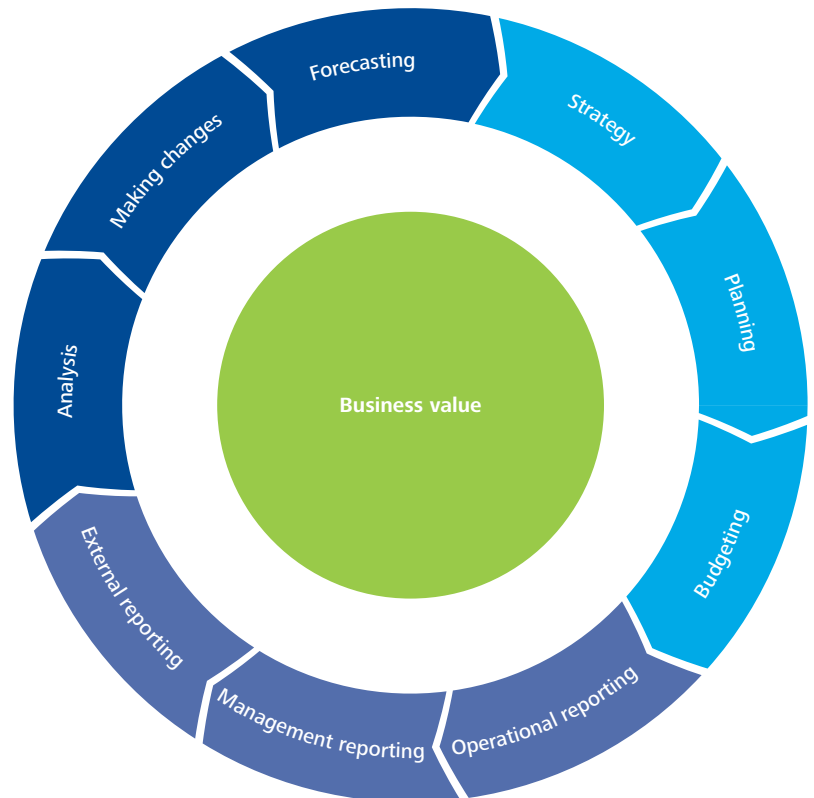
Developing a system of management reporting, budgeting and IFRS accounting, evaluating IT systems as part of an IPO readiness project.

Large Mining and Metallurgy Group

Analyzing the group's value chain and using it as a basis for a cost management model enabling efficiency planning and control across production areas (for the companies in the group) and across the whole group. Developing a unified budgeting methodology and data building package for each division's management reporting and a separate package for head office.

Large Telecommunication Company

Developing IFRS methodology and regulations for preparing IFRS consolidated financial statements and budgets for further automation via information systems.



One of the Largest Russian Book Distributors

Forming the company's finance function, preparing budget regulations and provisions, KPI system development, developing the company's accounting policies including IFRS accounting, creating new KPIs linked to the company's employee motivation system. The integrated management system was implemented based on Oracle CPM – Enterprise Planning and Budgeting software.

Key performance indicators (KPIs) & a balanced scorecards (BSCs)

Goals and Challenges

- Form a mechanism for managing corporate strategic goals;
- Establish a systematic approach to forming corporate targets;
- Develop a system of indicators covering all targets set by management;
- Ensure the appropriate controls for goal achievement so they are reached on time and in full;
- Align management decisions with long-term company goals;
- Establish a mechanism to choose the most effective projects for meeting set goals.

Our services

Deloitte offers a full range of services for designing and implementing balanced scorecard and KPI systems, including:

- Developing KPIs based on management goals and processes performed;
- Bringing calculation methodology and factual data collection from different management systems to a unified standard;
- Preparing recommendations on the management motivation system based on KPIs;
- Developing strategy 'maps' and a Balanced Scorecard for all management levels;

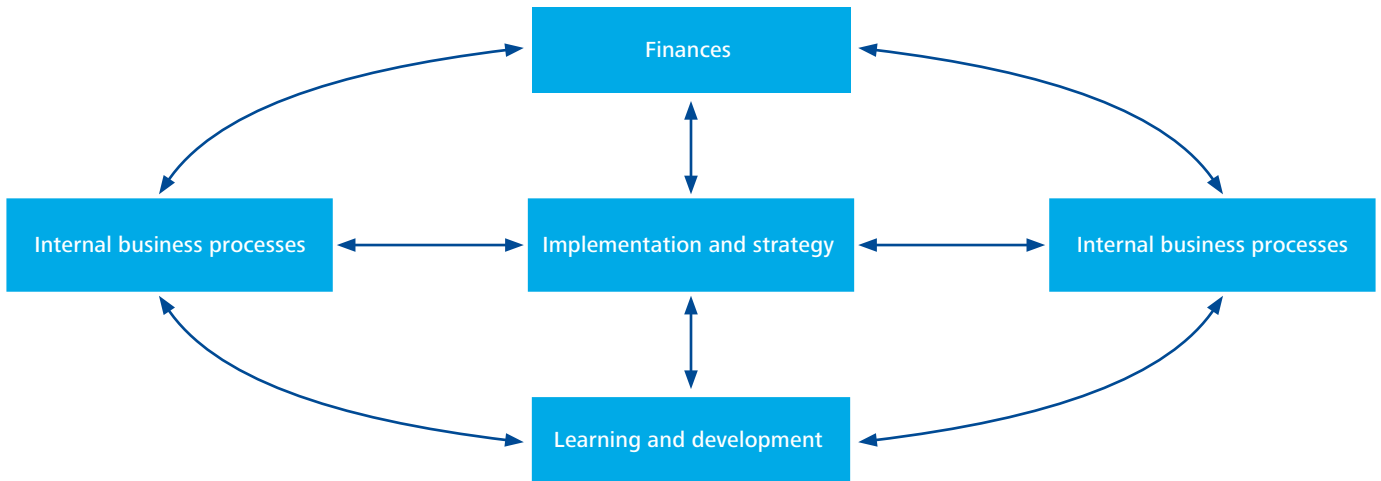
- Providing recommendations on indicator targets;
- Developing BSCs for business units, divisions and subsidiaries;
- Providing recommendations on strategic business processes and initiatives corresponding to goals/performance indicators;
- Offering automation solutions and advisory support for the BSC implementation process;
- Auditing existing metrics and providing recommendations for its improvement.

We also develop and implement strategic management systems based on BSCs, including the following:

- Developing management methods and regulations based on BSCs and providing recommendations on the establishment of a strategic management office;
- Providing recommendations on motivating managers based on BSCs;
- Integrating BSCs into business processes and supporting management changes in relation to BSC implementation.

Our approach

- We support our client at each stage of the BSC implementation process, including the stages of diagnostics, development, implementation, testing of setup, and automation, right up to the commercial launch of the system



- We use the Enterprise Value Map™ (EVM) for developing BSC and KPI systems. EVM is a tool for creating BSCs aimed at value creation, making the most of Deloitte’s global experience in various industries;
- In addition, when developing KPIs and BSCs, we hold training and strategic sessions for managers and employees.

How your business will benefit

Developing and implementing BSCs and KPIs help to bring the following changes to a company:

- Efficient system of control for implementing main strategic changes;
- Application of a clear and simple methodology for reporting effectiveness and efficiency of staff and management performance , presented in accordance with strategic indicators and measures to evaluate relationships;

- Establishment of key target results for managers of departments, branches, offices, business units and subsidiaries to work towards;
- Trained, proactive and motivated staff that shares the vision of the company
- A higher quality of corporate culture founded on carefully formulated values and priorities.

Previous Experience

Metallurgy Group

We helped to develop a BSC concept and Enterprise Value Maps™, and implement a BSC system, including the launch of an automated Business Objects software system to control the BSC.

Major European Landline Communications Operator

We helped conduct an appraisal of the corporate management system, develop a corporate BSC development, which was elaborated in detail for all key business units, define KPIs that were most appropriate for measuring the success of the company’s business objectives, and assign responsibility to staff and departments for meeting targets according to KPIs.

Business value									
Income growth		Operating profitability			Return on assets			Expectations	
Volume	Sale price	Selling, general and administrative expenses	Cost	Income tax	Non current assets	Inventories	Accounts payable and receivable	Company strengths	External factors

Budgeting system design and implementation

Goals and Challenges

- Provide the company's management, shareholders and investors with timely and reliable forecasts of the company's financial and business activities to support management decision-making
- Prepare the company's budget compliant with international standards for variance analysis
- Ensure transparency and enhance control over operations and use of company resources.

What we do

We help to create an integrated budgeting system, including economic and financial planning methodology, preparation of the group's consolidated budget, budgeting automation and support for the company's staff during the process of implementing changes.

Development of a methodological base involves the following:

- Determining centers of financial responsibility and developing a financial structure;
- Designing a budgeting forms album and budgeting model;
- Describing in full budgeting policy and regulations for the budgeting process;
- Developing a methodology for planning and an approach, taking into consideration the specifics of a business:
 - Use of historical data or budgeting 'from scratch';
 - Periodic or rolling budget;
 - Top-down or bottom-up organization of the budgeting process;
 - Traditional or Activity-Based Budgeting;
- Developing a planning methodology in accordance with international standards and developing consolidation methodology;

- Developing a methodology for analyzing budget execution, including:
 - factor analysis;
 - variance analysis.
- Development of a budgeting model based on the current analytical system includes the following:
 - analytical data books and a data-gathering package;
 - calculation-analysis modulus;
 - output reports.

The integration of a developed methodology and model into the company's existing processes, such as operational planning of production, procurement and sales, accounting and reporting, internal controls, and decision-making, is a separate stage of the overall process.

Our approach

Depending on the nature of a company's business and its level of financial and management accounting and planning, the project can involve developing and implementing separate elements of the budgeting system, or developing an integrated solution.

Deloitte CIS consultants have experience in developing budgeting systems from carrying out a diagnostics of the existing system and concept development to implementing automated solutions for data collection, processing and supporting the budgeting reporting process. Our specialists have in-depth knowledge of Russian and international accounting and reporting standards, as well as extensive experience in helping with the implementation of specialized budgeting software, such as Hyperion, SAS and Cognos, for companies in various industries.

How your business will benefit

Establishing a methodological and organizational base for implementing automated budgeting brings the following advantages:

- A set of documents with complete description of a company’s budgeting system, including budgeting policy, methodology and processes;
- Implementation of an automated system to support budgeting and variance analysis (plan vs. actual);
- Developing company’s staff knowledge and skills in budgeting in accordance with international standards, allowing the company to carry out budgeting using its internal resources.

Previous Experience

Major Russian Construction and Realty Group

Development of a budgeting system, including the group’s finance structure, budgeting policy, procedures and the establishment of a budgeting model with two levels of consolidation and implementation in Oracle Hyperion Planning.

State-owned oil company

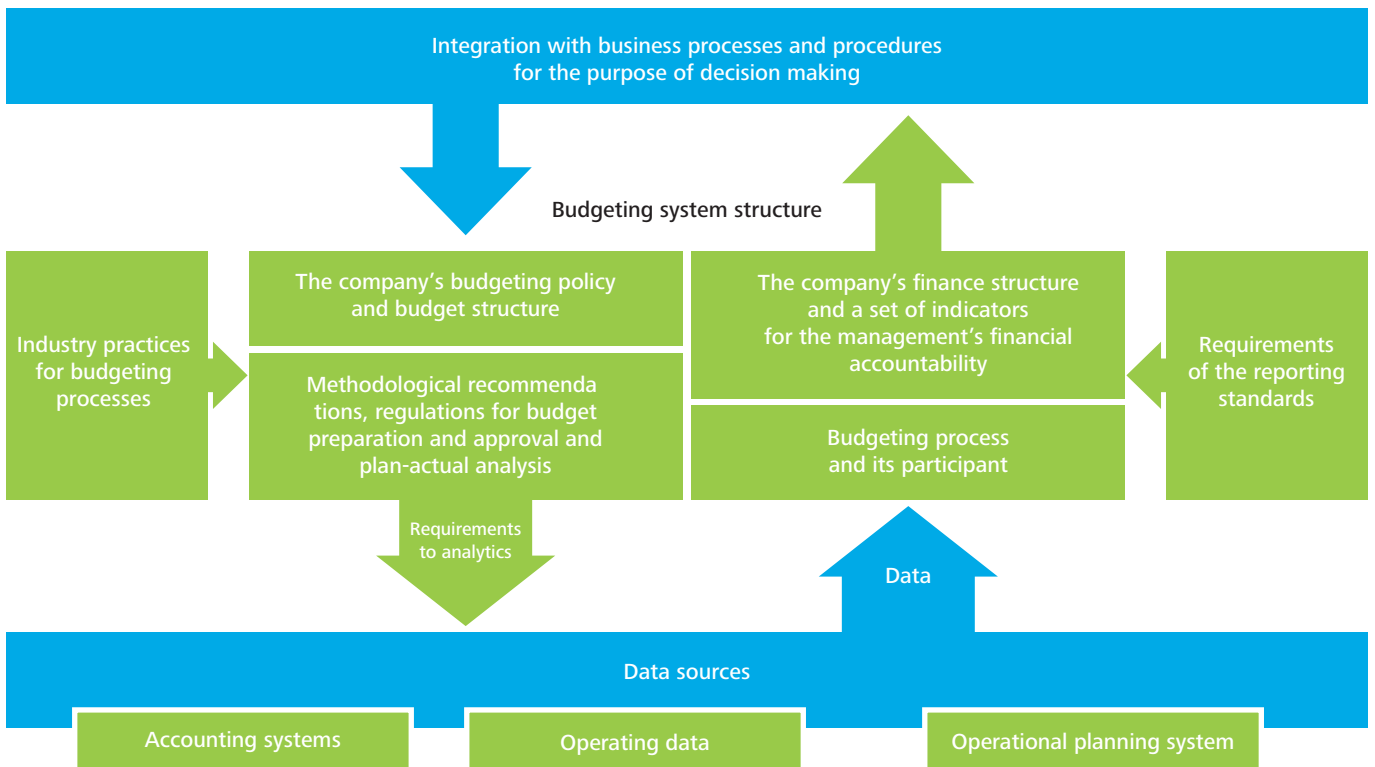
Development of an IFRS-compliant budgeting policy, procedures, and methodology, and a Microsoft Excel budget transformation and consolidation model that meets London Stock Exchange requirements.

Large Russian Wholesale and Retail Company: Printed Products, Media Products, Games and Stationery Distributor

Development of an integrated budgeting and KPI management system (motivation system) with subsequent implementation in Oracle Enterprise Planning and Budgeting.

Retail Group (Consumer Goods)

Development of a budgeting and financial planning system, including the establishment of a target financial structure, budgeting procedure and budget consolidation methodology, with subsequent implementation in Oracle JDEdwards.



Management accounting and reporting

Goals and Challenges

- Create a singular, integrated management data system built into the management system at every level of decision making;
- Introduce a tool to support management policy on operations and business strategy; eliminate data duplication; and maintain authenticity of financial and non-financial performance indicators;
- Create or expand reporting package for external users by including important indicators of management performance. These include profitability of production and sales margins; cost analysis; debtor and creditor analysis and variance analysis;
- Systematize financial and non-financial indicators for decision making and achieving goals set.

Our services

Deloitte CIS offers a full range of services for identifying, assessing, collecting, analyzing and interpreting management information. The management information is then required for planning, assessing and controlling company performance and ensuring efficient use of company resources.

We are experienced in developing and improving management accounting procedures and methodology in various industries

We are experienced in developing and improving management accounting procedures and methodologies for numerous industries. With our knowledge of industry best practice, we help our customers in creating an integrated management reporting system for all operational functions,

subsidiaries, units, centers of responsibility, KPIs, management information blocks, contractors and IT support systems.

Our professionals are experienced in auditing management reporting systems, identifying opportunities for optimizing management reporting content and quality, creating plans for developing and implementing methodologies for aligning management reporting with international financial reporting standards, and automating management reporting.

Our approach

Depending on a company's business and the extent of development for financial/management accounting and planning functions, a project may involve establishing separate management reporting components or creating and implementing a comprehensive solution. Our approach to implementing a management reporting system starts with a diagnostics of the existing system and then developing a basis for management accounting, ending with support for the introduction of automated transaction accounting, data processing and reporting solutions. Our approach also engages client's employees' actively in the project, which significantly cuts down the time required by the employees to learn how to carry out their duties in light of the changes we suggest.

How your business will benefit

The main project benefit is higher quality management reporting that can be prepared in a shorter period of time.

Developing management accounting and reporting systems results in the following:

- An album of reporting forms containing a set of financial and non-financial performance indicators and giving the level of detail required for various user groups;

- Management accounting policy and description of management reporting principles;
- Analytical data books used for gathering data used for calculating and analyzing indicators;
- Algorithms for calculating management reporting indicators;
- A model in MS Excel or another information system for forming a management reporting package based on actual and planned data;
- Regulations for management data gathering and reporting, specifying timings and employee responsibilities;
- Training company staff on autonomous preparation of management reports themselves.

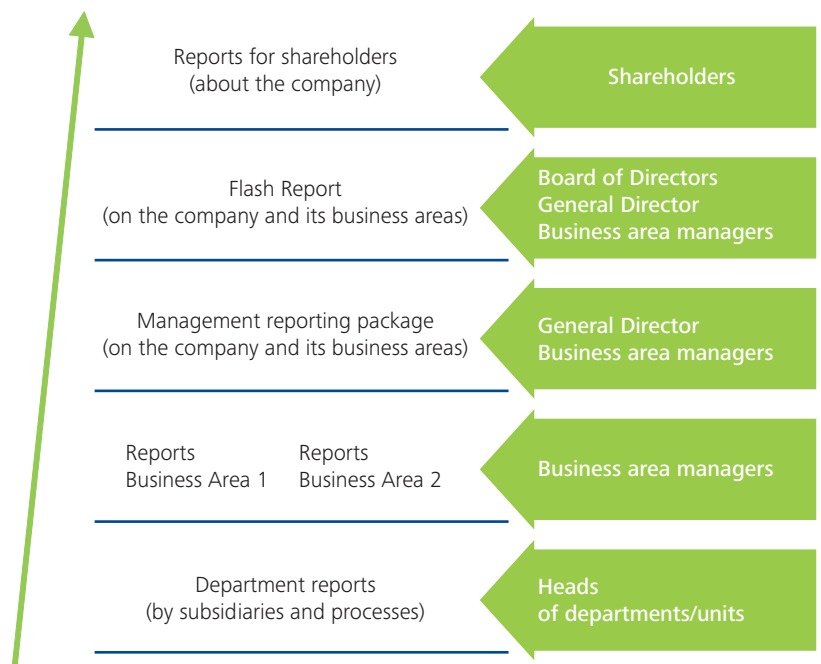
Previous Experience

Vertically-integrated Metallurgy group

Improvement of reporting methodology and procedures. During the project, we analyzed current accounting policies, business transaction processing and reporting procedures for 16 companies in the group. The project resulted in formulation of KPIs, the definition of financial responsibility centers, the formation of two management reporting packages and a singular chart of accounts for IFRS, planning and management accounting purposes; the design of a management reporting model, and automation of reporting in SAS FMS.

Gas production and processing company

Optimization of financial reporting procedures and tools. As a result of the project we developed IFRS-compliant management reporting, implemented policies and procedures for management reporting, and improved the internal control system.



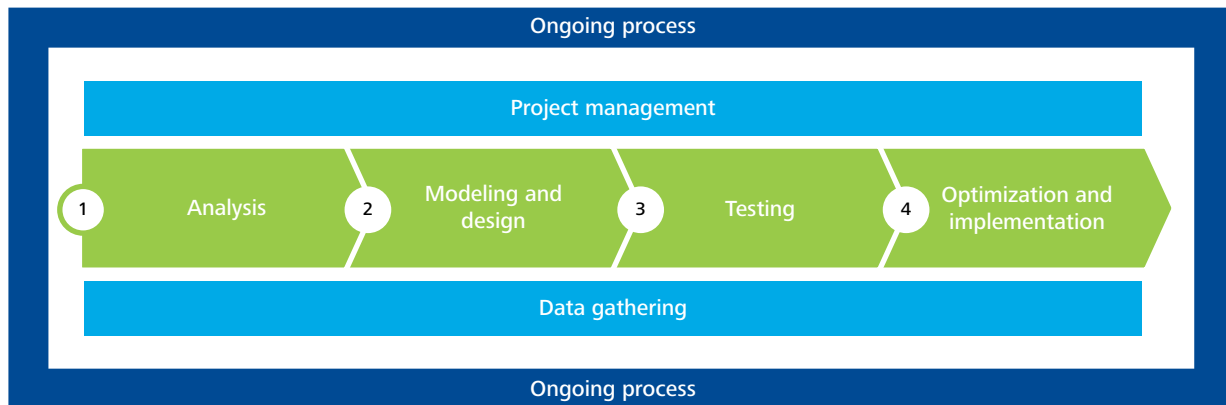
Manufacturer of Dairy Products, Beverages and Baby Food

The project led to improved accounting and reporting processes as a part of the project for implementing a comprehensive ERP system. As a result of the project, we formed a unified chart of accounts and analytics to meet US GAAP accounting and management accounting requirements, and we developed a target model for business processes.

The system covers all key business areas of the company: manufacturing, procurement, logistics, and distribution.



Investment and business planning



Goals and Challenges

- Prepare medium- and long-term business development plans and investment programs, and present them to company management, shareholders, investors and creditors, giving a full reasoning for every proposal;
- Design a financial business model describing the principles of value creation for shareholders and its principal drivers;
- Organize the medium- and long-term planning process that ensures business plans are prepared and executed on a regular basis.

What we do

We offer our experience and expertise in addressing complicated aspects of financial and investment planning, building financial models and business plans, and analyzing the feasibility of investment projects.

Our experts have extensive industry experience which enables us to take into account the specifics of a particular company and evaluate the company's development prospects in multiple scenarios.

We can also assist in establishing a medium- and long-term business and investment planning process based on an automated model using simple and accessible software, such as MS Excel, and/or sophisticated software products, such as Hyperion.

Our approach

Our approach involves four main stages:

Stage 1

We perform an analysis of the company's current state, its business development strategy, investment program

goals and requirements for its investment program. We do this by interviewing the company's management and staff, and analyzing internal documents and existing management reporting.

One of the main objectives of this first stage is to determine key factors affecting the company's business value.

Stage 2

A financial model is developed and endorsed. Main business drivers and investment project drivers are identified.

Stage 3

The model is populated with real data and tested for its ability to accurately reflect the company's operations and business structure. A test calculation of the investment project model is performed.

Stage 4

The model is adjusted according to test results as necessary; medium- and long-term business development projections and the results of the investment project implementation are estimated; and model description and notes are prepared. A business or investment plan can be prepared for a variety of business development scenarios. We can provide presentation material and assist with its presentation.

Elaboration of both medium- and long-term development plans and investment programs is based on identifying and forecasting key factors affecting shareholder value. For this purpose we use Enterprise Value Map™ and Deloitte Industry Print™.

How your business will benefit

Developing medium- and long-term business plans lead to the following outcomes:

- A financial model of the company’s business development or investment project covering a number of scenarios, based on a software solution chosen by the client;
- A business or investment plan prepared and designed for presentation to management, shareholders, investors and/or creditors;
- A full description of the financial model and methodology for business or investment planning, tailored to the specific needs and circumstances of the company;
- Planning rules and procedures to ensure that business and investment planning processes are carried out regularly in the company.

Previous Experience

International Mining Company

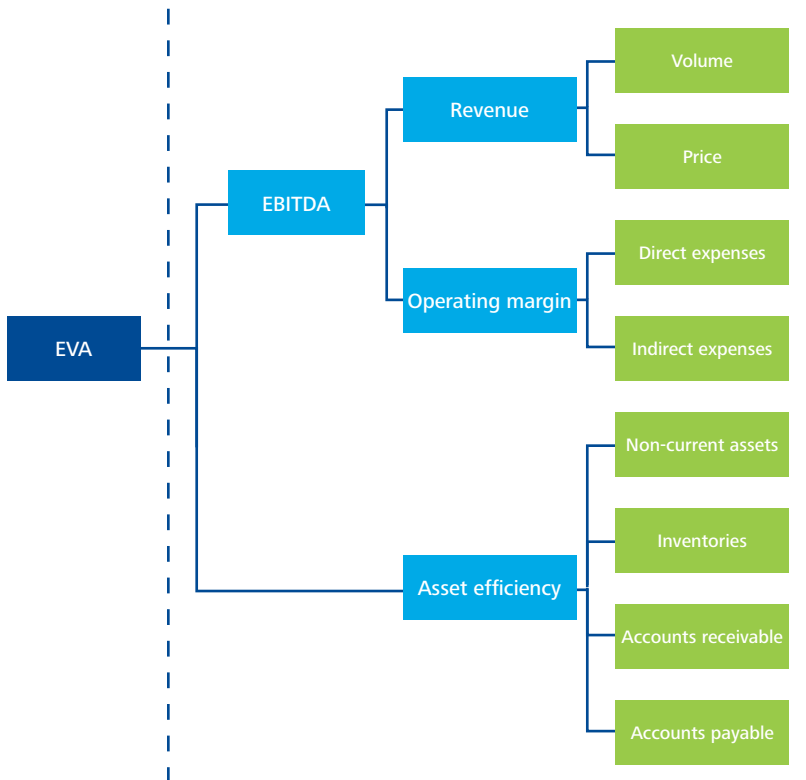
Development of planning, budgeting and financial reporting procedures. Deloitte was selected to act as a consultant to assist with the re-engineering of procedures and tools used for financial statement preparation in order to ensure they complied with IFRS requirements and accelerate financial statements preparation as part of a LSE IPO project.

International Oil Company

Development of a budgeting model based on projected working capital for the subsequent three-year period. Preparation of an MS Excel model for IFRS consolidation and transformation, and creation of accounting guidelines.

Performance indicator

Factors



Estimated benefits

	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6
Volume	High	Medium	Low	High	Very High	Medium
Price	Low	Medium	High	Medium	Low	Medium
Direct expenses	High	Medium	Low	High	Very High	Medium
Indirect expenses	High	Very High	Low	Medium	Low	Medium
Non-current assets	Very High	Low	Medium	High	Very High	Medium
Inventories	Low	Medium	Low	High	Medium	High
Accounts receivable	Low	Medium	Low	High	Low	Medium
Accounts payable	Low	Low	High	Medium	Low	Very High

Working capital optimization

We offer practical solutions that allow for greater effectiveness with working capital management, an increase of the company's liquidity, and support for maintaining capital at optimal levels.

Indicators of the need for working capital rehabilitation

- Increased debt load;
- Growing overdue debt and decreasing rate of inventory turnover;
- Differences between the dynamics of a company's performance indicators and working capital changes.

Goals and Challenges

- Release additional cash by increasing working capital liquidity
- Define optimal working capital levels and develop mechanisms to maintain these levels;
- Ensure effective use of resources and stable cash flows.

Our services

Deloitte CIS offers a diversified approach, aimed at achieving fast results and growth in the effectiveness of working capital management in the long term.

Working capital optimization is achieved through comprehensive measures applied across all operational areas of a company, including sales and procurement, inventory, payables and receivables management, and surplus cash management.

Effective management covering every element of working capital must be supported by comprehensive planning and continuing improvements, as well as by adherence to control procedures designed to increase working capital liquidity. Our approach takes into account the interdependence of working capital elements:

Sales and accounts receivable

- Optimization of sales planning process;
- Standardization and optimization of pricing processes and payment terms;

- Development and implementation of control procedures for pricing, discounting, delivery processes, and accounts receivable monitoring;
- Receivables collection control.

Inventories and production

- Optimization of production planning process;
- Optimization of stock level management process;
- Development and implementation of controls for inventory management process.

Procurement and accounts payable

- Optimization of procurement planning process;
- Optimization of processes for consolidating suppliers, procuring suppliers and paying supplier;
- Development and implementation of procurement system control procedures.

A complex system of sales, inventory, production and procurement planning helps to optimize working capital elements.

A system for financial reporting and performance indicators, including essential indicators and financial constraints, enables real-time monitoring of working capital.

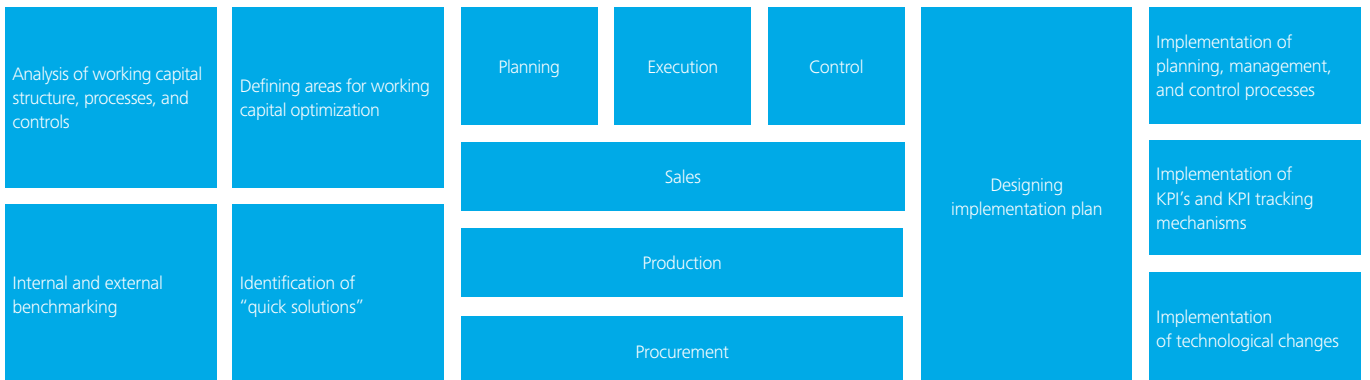
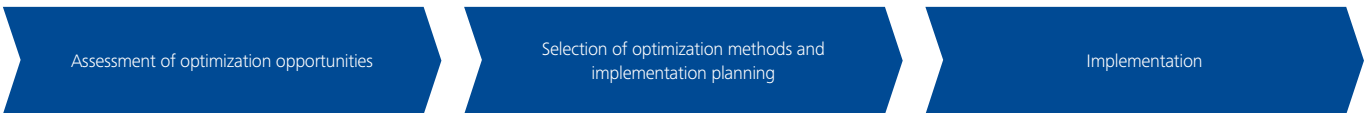
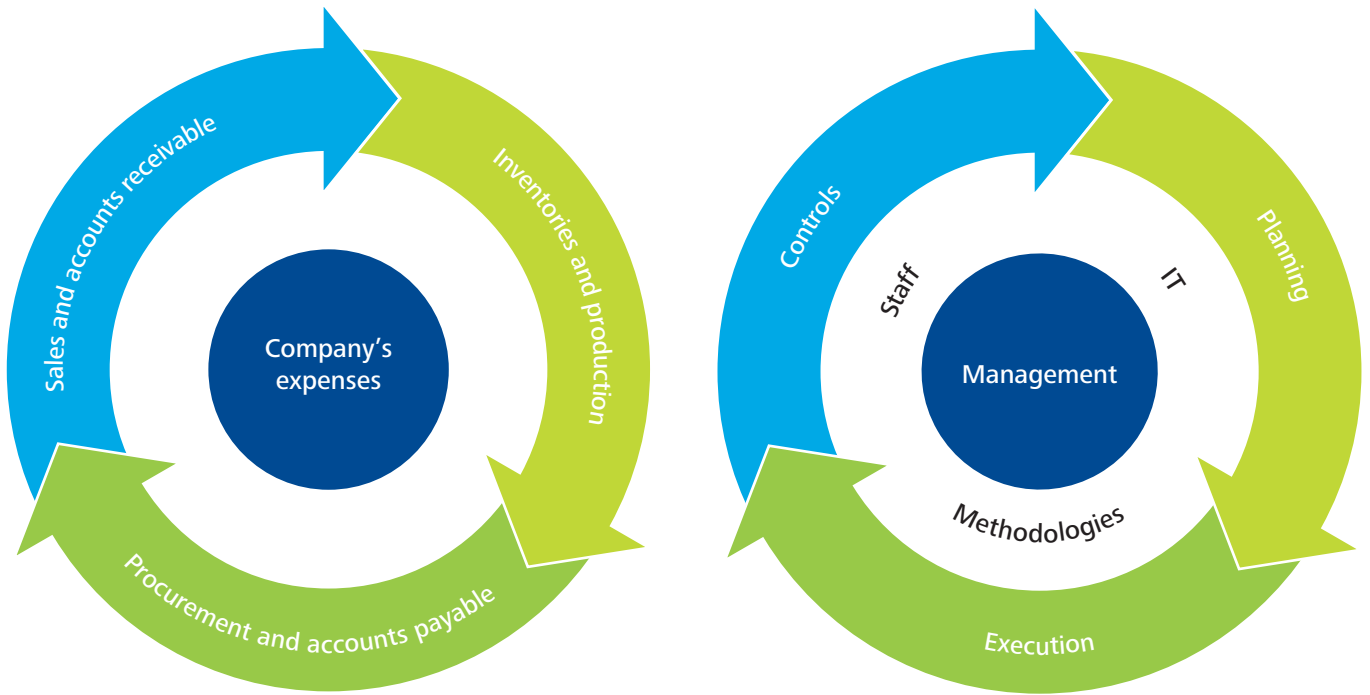
A carefully planned system of measures for optimizing working capital fosters a corporate culture that ensures the effective management of inventory and application of funds.

Our approach

Key elements of Deloitte methodology:

- "Quick wins" implemented in the short term;
- A complex approach that takes into account the interdependency of sales, procurement, inventory management, payables and receivables management and ensures the best results are achieved;
- Increasing the effectiveness of working capital management and sales and optimization of procurement planning, while providing optimal working capital levels;
- Effective control procedures for executing processes and identifying inefficiencies in order to secure a continuous increase in process effectiveness.

In order to get the maximum effect from optimizing working capital, we form a team of specialists with extensive experience, expertise and skills in finance, sales and procurement management, logistics, manufacturing, internal control system development, and tax optimization.



Sample design (please refer to the text above)

<p>Receivables optimization</p> <ul style="list-style-type: none"> • Internal and external benchmarking. Analysis of sales trends by customer type, product type, market, and business unit; identification of opportunities for pricing optimization • Identification and specification of criteria for customer segmentation • Establishment of an approach to sales planning based on customer segmentation • Creation of an approach to pricing, discounting policy and payment terms on the basis of customer segmentation 	<p>Improving supplier contract terms and accounts payable</p> <ul style="list-style-type: none"> • Internal and external benchmarking of payables turnover • Analysis of contract terms and conditions, identification of opportunities for reviewing contractual terms and payment policy
<p>Inventory management</p> <ul style="list-style-type: none"> • Analysis of all stocks, inventories and finished products; identification of opportunities to optimize stock levels and inventory planning processes • Identification and specification of criteria for categorizing inventory • Establishment of an approach to inventory planning and management appropriate for each category 	<p>Procurement</p> <ul style="list-style-type: none"> • Identification of areas for improvement with respect to procurement and procurement planning • Categorization of suppliers, revising terms of payment by category • Identification of inefficiencies in procurement controls and payments to suppliers; identification of opportunities to improve controls in the process of procurement and payments to suppliers
<p>Cash flow management</p> <ul style="list-style-type: none"> • Identification of cash gap and cash surplus periods, optimization of timing for making decisions on investments and attracting financing • Increased transparency and effectiveness in relation to cash flow control 	<p>VAT recovery</p> <ul style="list-style-type: none"> • Analysis and optimization of the VAT accounting procedure; identification of amounts unrecovered and/or overpaid • Identification of opportunities to restructure future VAT payments
<p>Other assets</p> <ul style="list-style-type: none"> • Asset analysis for idle or under-utilized assets • Search for optimal opportunities to obtain profit from use or sale of assets 	<p>Optimization of tax benefits system</p> <ul style="list-style-type: none"> • Search for unused opportunities to reduce tax base or to obtain exemption from tax

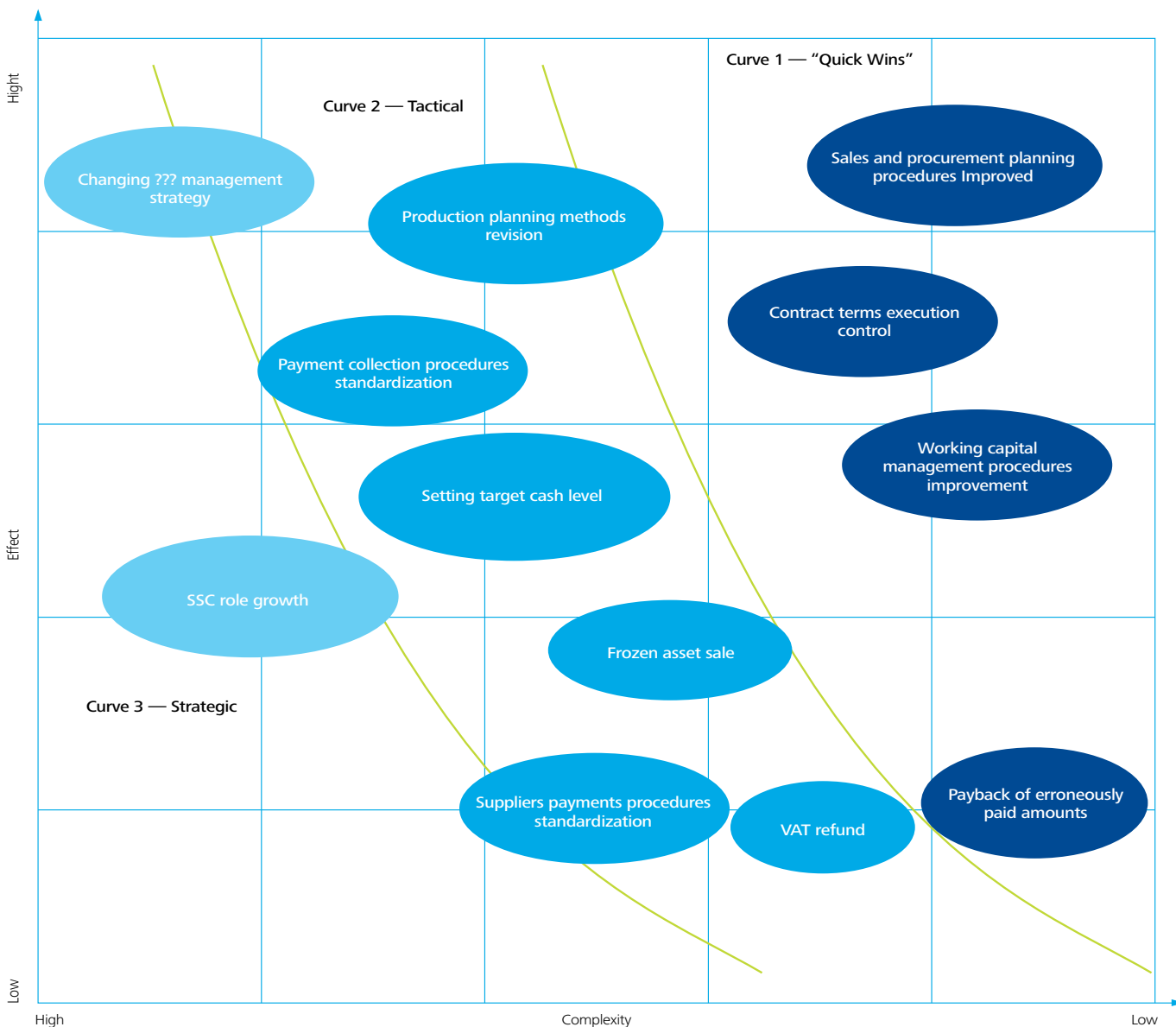
Development of a performance indicator dashboard to manage and control working capital:

- Getting an overall view of the state of working capital;
- Defining target indicators and financial constraints, and assigning responsibility for compliance with these target indicators and constraints;
- KPIs for effective management of working capital and indicators of excess target indicators and financial constraints;
- Analysis for prioritizing alternative solutions.

Deliverables

- Working capital converted into cash;
- Quick and measurable effect without considerable diversion of resources;
- Transparent management system for maintaining optimal working capital levels;
- A set of KPIs for integrated working capital management.

Priority analysis of alternative solutions



Previous Experience

Leading Russian Metal-Rolling Company

Our cooperation led to improved interaction between the company divisions and management involved in working capital management; an established form of management accounting and KPIs to enable real-time control over changes in working capital; development of a comprehensive approach to integrated sales, production, finance, logistics and procurement planning; an improved

approach to customer and pricing segmentation; and developed rules for inventory rationing.

Downstream Subdivision of an International Oil and Gas Company

Receivables turnover decreased by 38%; working capital volume decreased by 36 million euro; service levels improved; response times to customer requests decreased; and effectiveness of cash flow management increased.

Profitability & cost management

Profitability management & cost optimization

Goals and Challenges

Activity Based Costing/Management (ABC/M) is a tool that helps to explore opportunities for improving the profitability of a company. Unlike traditional cost analysis approaches, ABC/M provides more accurate cost information for each activity, client and product. Using activity-based approaches can help to overcome the following business challenges:

- Improving sales strategy based on a profitability analysis of various cost objects (clients, products, services, regions and sales channels);
- Planning and controlling how resources are used, identifying wasteful expenditure, and exploring opportunities for cost reduction without affecting core operations;
- Establishing cost of internal functions and considering options for optimizing them, including centralization or outsourcing;
- Differentiating levels of service offered to clients.

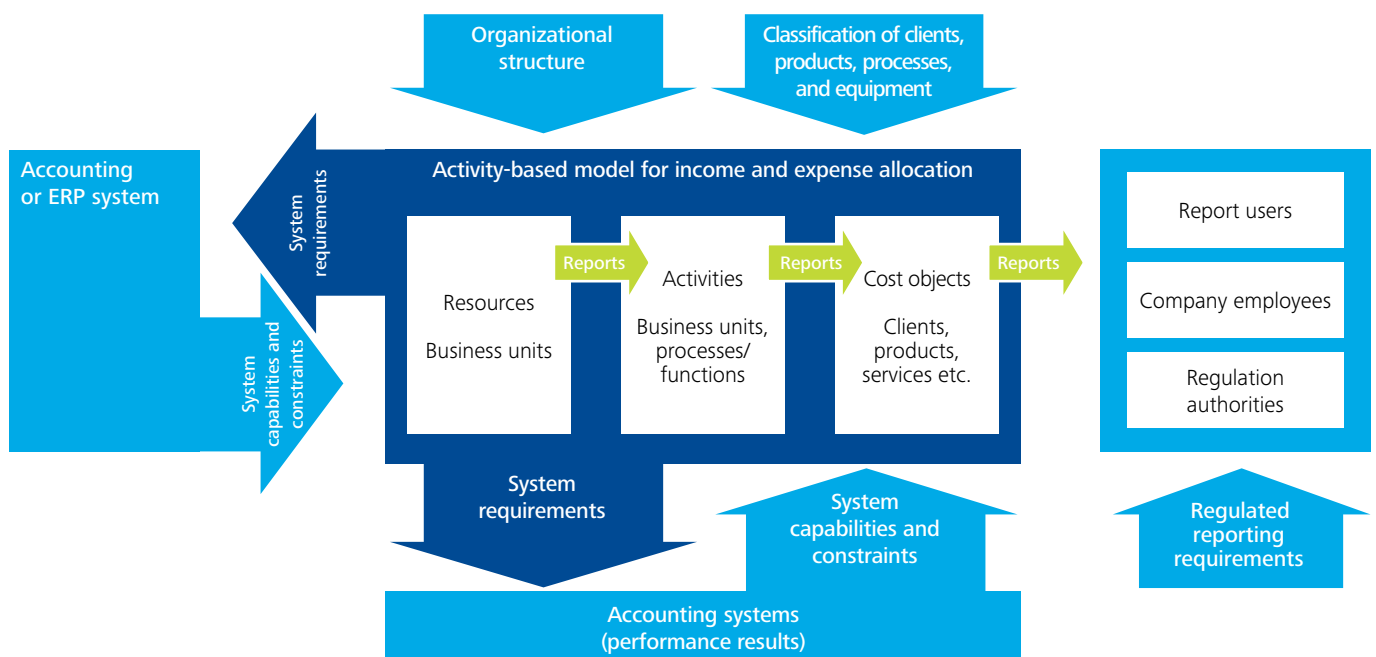
Our services

Deloitte CIS offers a full range of services for developing comprehensive ABC/M-based solutions for profitability management, including methodological framework development and a specialized information system implementation.

We are also glad to offer our experience in developing cost management methodologies and models for companies in all industries, including banking, telecommunications, and oil and gas.

We help our clients with the processes of optimizing cost management, analyzing profitability and forming reports for regulatory authorities (separate accounting for each type of business activity and regulated service). Our professionals implement methodologies and models worked out for use in industrial information systems such as SAP PCM, Hyperion, SAS, and ABM.

They provide the support required and help to establish connections between ABC models and client's accounting systems.



Our approach

Depending on a company's business and its previous levels of financial/management accounting and planning functions, a project can include separate ABC/M components or involve the development and implementation of an integrated solution. Deloitte CIS consultants are experienced in developing ABC/M systems at all levels, from performing a diagnostics of the existing system and developing the activity-based costing concept to supporting the implementation of automated solutions for transaction accounting, data processing and reporting. We assist our clients in forming a management reporting package that contains process-related performance indicators based on an ABC/M model. We help our clients to integrate ABC/M system into their existing practices of resource-intensive process management, allowing the company to use the ABC/M system as both a reporting tool and a business management tool.

Results

Project result is an integrated cost and profitability management system based upon ABC/M model which consists of the following components:

- Management accounting forms for cost of resources and processes analysis, services and other cost objects profitability analysis;
- ABC/M methodology including lists of resources, processes, cost objects, allocation bases, income/expense allocation principles;
- ABC/M model, either Excel-based or implemented in a specialized information system;
- RAS/IFRS accounting policy, chart of accounts, journals and instructions enhanced to support ABC/M methodology;
- Procedures for maintaining and updating information kept in ABC/M model;
- Staff trained to operate the model and prepare management information on analysis of cost of resources, processes and services.

Previous Experience

Large Full-Service Bank

Development and support with implementing ABC methodology for profitability analysis by product, point of sales, and specific process/core function cost in order to support management decision making for optimizing their product portfolio, pricing and cost budgeting.

Large Telecommunications Provider

Development and support with implementing separate revenue and cost accounting systems based on ABC methodology for calculating telecommunication service costs and statutory reporting. Agreement of the developed methodology with the requirements of regulatory authorities.

Large Oil and Gas Company

Development and support with implementing separate revenue and cost accounting systems based on ABC methodology, integrated into budgeting, planning, management reporting and project management systems, along with recommendations and automation of separate accounts systems.

Financial processes & methodologies

Development of IFRS and US GAAP reporting systems

Goals and Challenges

- Enter global capital markets for fundraising;
- Provide investors with financial information;
- Ensure the financial transparency of operating results;
- Support decision-making and control processes;
- IFRS first-time adoption or transition from US GAAP to IFRS.

What we do

Our services include designing integrated solutions for developing the methodological framework for IFRS and US GAAP reporting, implementing information systems, and providing staff training.

Our experience and approach

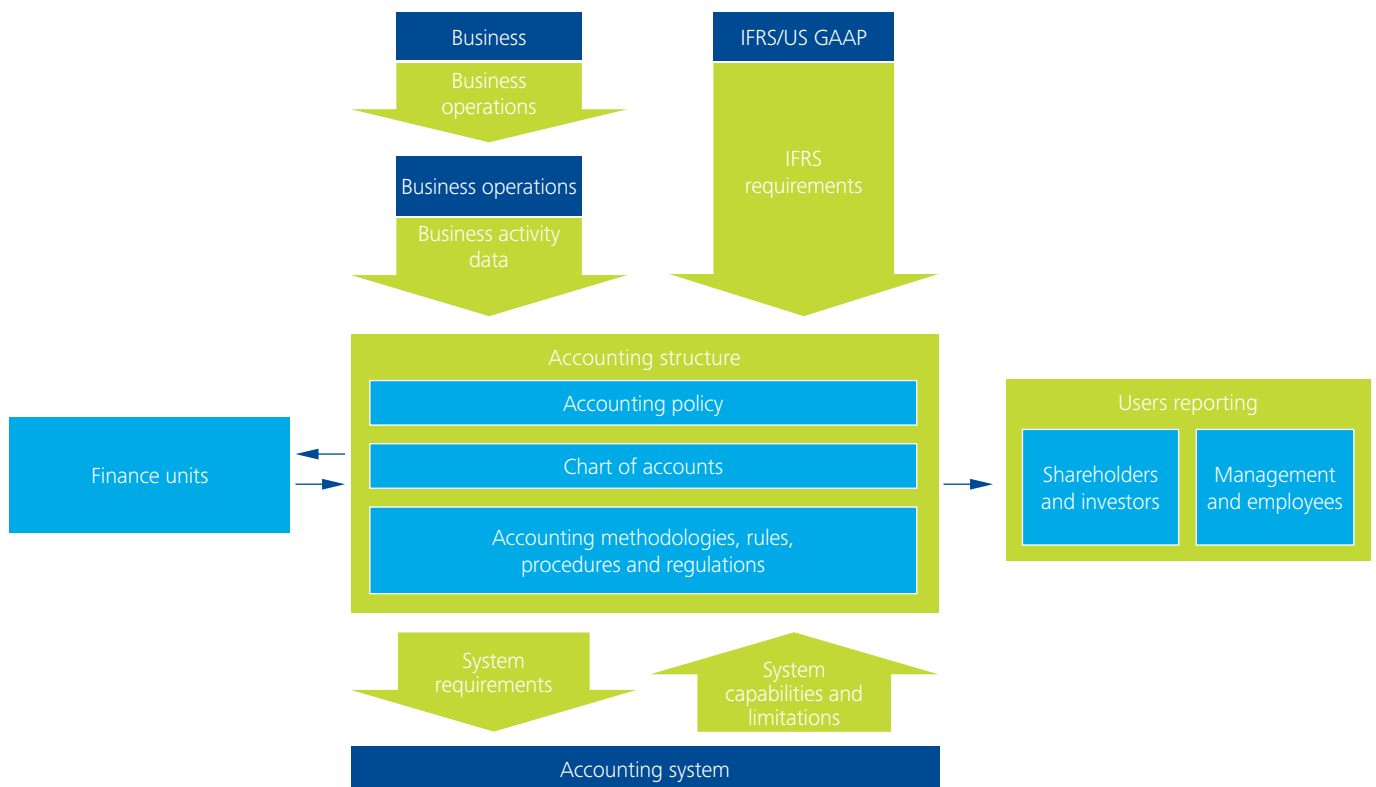
- Deloitte CIS consultants offer their extensive experience and professional skills in creating methodological framework for IFRS reporting both from scratch and from the basis of the company's existing processes and methodologies;
- We provide our knowledge of IFRS, US GAAP and RAS requirements and our expertise in setting up and maintaining accounting and reporting processes, including experience in practical application of accounting standards in various manufacturing industries;
- For increased transparency, accuracy and controllability of IFRS and US GAAP reporting processes, we provide recommendations with respect to aligning RAS and IFRS (US GAAP) accounting principles and setting up accounting and reporting functions;

- We possess skills and experience in implementing information systems for IFRS and US GAAP reporting, as well as quality control and methodological support for implementation projects. Our specialists have essential experience in implementing SAP- and Oracle-based software products, including e-Business Suite, Hyperion, JD Edwards and other applications;
- We actively involve our clients' employees in the projects and offer training programs so that project deliverables are implemented more effectively.

How your business will benefit

A project for developing an IFRS and US GAAP reporting methodological framework and implementing software solutions will produce the following results:

- Accounting policy in accordance with IFRS or US GAAP
- IFRS or US GAAP chart of accounts and a conversion table for RAS chart of accounts.
- Transaction ledger and relevant IFRS or US GAAP accounting principles for each transaction
- IFRS or US GAAP reporting methodology (transformation and consolidation)
- Rules and procedures for the IFRS or US GAAP accounting and reporting process;
- Album of standard IFRS or US GAAP reporting forms and form completion rules
- Software implemented to support IFRS or US GAAP reporting processes



- Skills and knowledge for the client’s employees, enabling the client to prepare IFRS or US GAAP financial statements independently.

Previous Experience

Group of Mechanical Engineering and Geological Surveyance Service Companies

Development of a methodological base for preparing IFRS financial statements. Recommendations on RAS and IFRS convergence, making changes to the accounting system and implementing a system for IFRS reporting.

Group of Media and Telecommunications Companies

Development of IFRS accounting policy, methodological base and regulations for preparing consolidated IFRS financial statements in order to further automate methodology in IT systems.

Multichannel Media Group

Design and implementation of systems for IFRS consolidation, management reporting and budgeting based on Hyperion Financial Management, ensuring transparency and consistency with all types of accounting and reporting, increasing the quality of reporting, while decreasing the company’s total reporting costs.

“Big Three” Mobile Operator

Development of US GAAP accounting policy and instructions on preparing financial statements in order to unifying accounting principles and methods across all company subdivisions and enhancing US GAAP reporting function to ensure compliance with the Sarbanes-Oxley Act.

Russian statutory & tax accounting methodology

We assist our clients in performing diagnosis, determining the target state of financial and tax accounting, taking measures designed to harmonize various types of accounting and increase efficiency of accounting and tax functions.

Goals and Challenges

- Reorganize a company's financial department (including its accounting function) to comply with Russian legislation;
- Develop Russian statutory and tax accounting system as a part of a company's unified system for financial and economic management;
- Harmonize Russian legislative requirements (for statutory and tax accounting) with IFRS and management reporting requirements;
- Prepare an updated corporate ERP system;
- Unify accounting processes and develop a single accounting model for organizations with holding structures.

What we do

Deloitte CIS specialists have extensive experience in setting up accounting and tax functions.

We help our clients to perform diagnostics, set a target state for the accounting and tax functions, take steps to harmonize different types of accounting, and increase efficiency of accounting and tax functions.

Our approach

Over the course of a project, we analyze current state of Russian statutory and tax accounting functions, form a target vision for these functions, and make recommendations on tax, IFRS/US GAAP accounting, and management reporting. Our goal is to create a single harmonized accounting system within a company, with Russian statutory accounting as the main source of actual data for enterprise management systems.

How your business will benefit

Typically, project deliverables provide a singular harmonized model for accounting processes and procedures, meeting the requirements of information solutions being introduced, and are composed of the following elements:

- Suggestions for harmonizing Russian statutory/tax accounting with other types of accounting;
- Russian statutory and tax accounting policies;
- Chart of accounts and analytical classifiers;
- Algorithms for statutory and tax reporting;
- Transaction ledger with accounting entries for all business processes;
- Income tax register album;
- Period closing regulations for statutory and tax accounting.

Furthermore, we help with the implementation of the accounting solution in ERP systems, assist with system testing, and provide training for its users.

Previous Experience

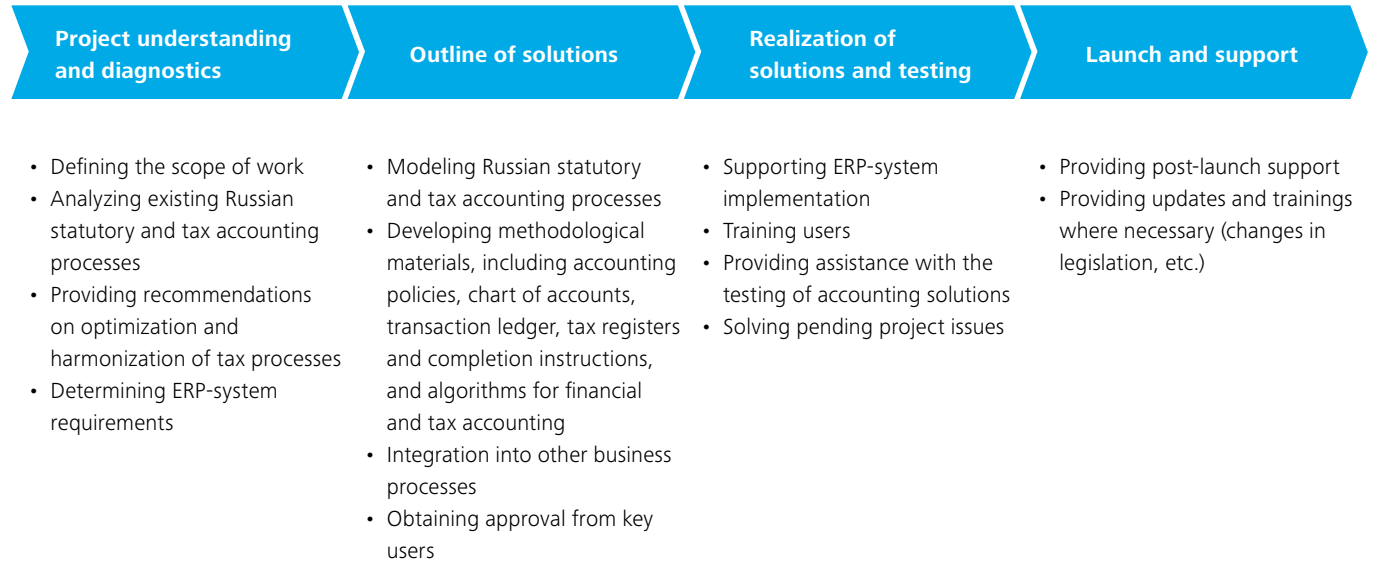
Large Russian Meat Processing Plant

Harmonizing different types of accounting and providing methodological support for implementing SAP ERP, including the development of accounting policies, tax accounting registers, a single chart of accounts, transaction ledger and other methodological documents.

American Payment Transaction Services Group

Developing statutory and tax accounting policies, chart of accounts and other methodological documents which comply with legal requirements; implementing and customizing statutory and tax accounting in the Oracle E-business Suite system.

Typical projects usually involve:



Shared service centers

Goals and Challenges

- Increase business processes effectiveness and control at business support units, through re-engineering, standardization and transfer to a single information platform;
- Reduce time spent on support for accounting, HR, IT, procurement, tax accrual, and administrative processes;
- Increase the effectiveness of the existing shared service center;
- Regionalize certain functions and reduce staff costs.

Our services

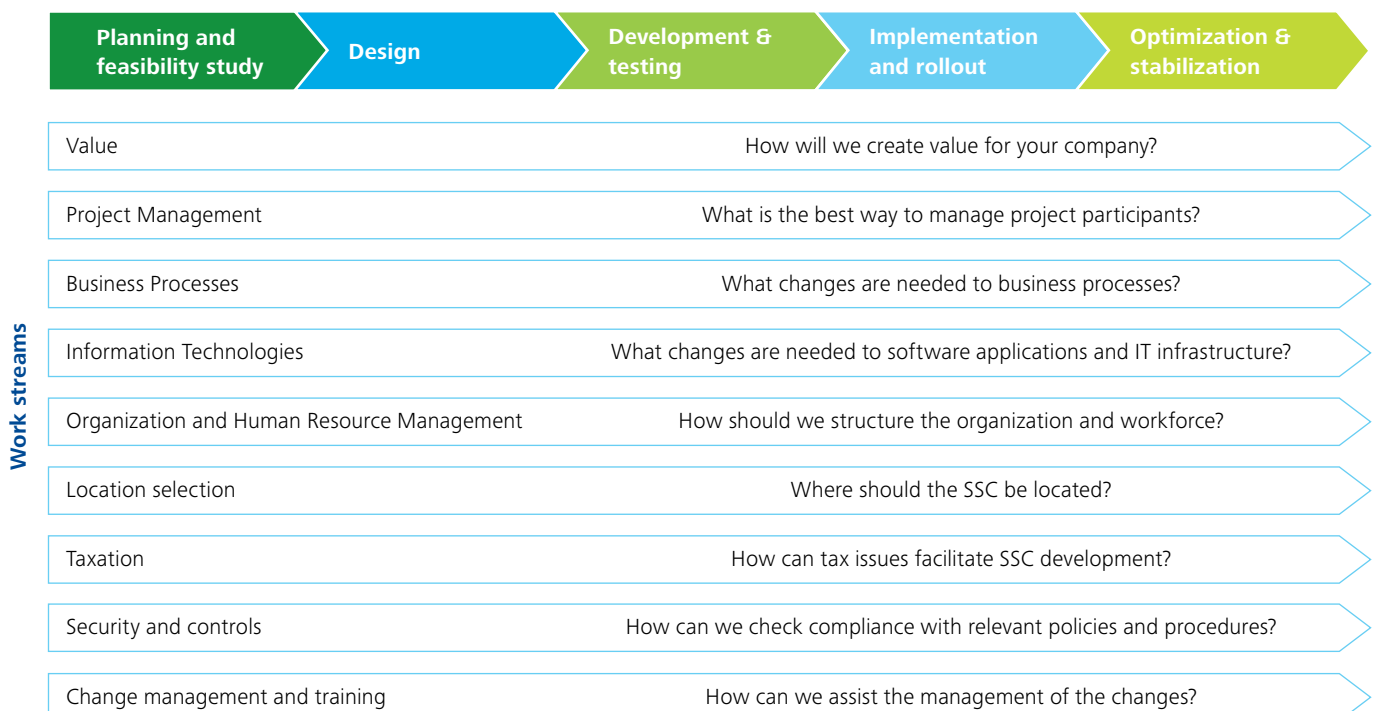
Deloitte CIS offers an integrated approach to establishing, allocation or optimization of processes to be transferred to a shared service center (SSC). When delivering SSC projects we take into account all related accounting, tax, legal, technological and procedural issues. Our services include both the development of the turn-key SSC projects, and assessments of the economic effect of SSC implementation for a particular company or increasing process effectiveness of a pre-existing SSC.

Our approach

We offer an integrated approach to SSC implementation, including business processes design, implementation and set up of IT solutions, and assistance with management changes associated with SSC implementation. A full-scale SSC implementation project involves 5 stages:

- Planning and feasibility study;
- Design;
- Development and testing;
- Implementation and roll-out;
- Optimization and stabilization.

We have developed our own tools to perform our work, enabling us to save time when creating and/or optimizing SSCs by utilizing the results of previous projects as well as our global experience. These tools include the Enterprise Value Map™, the Deloitte Industry Print™, and a methodology for creating shared service centers



Deliverables

SSC solutions for most of our clients in Russia and the CIS include the following services:

- Development of a SSC Business Case;
- Assistance with Business Case presentation and obtaining approval from the heads of the departments involved;
- Detailed implementation plan;
- Development of company program changes;
- Development of organizational structure and operating instructions;
- Development of IT architecture;
- Information distribution to prepare staff for changes;
- Recommendations for improving regulation documents, analytics, and chart of accounts;
- Blueprint and detailed maps of target states for processes;
- Setup of changes for IT systems;
- Testing and adjustments to processes and IT systems;
- Appraisal and selection of staff to be relocated;
- Development of metrics and KPIs for employee and process effectiveness;
- Development of service-level agreement (SLA);
- Creation of a development and roll-out strategy.

Previous Experience

Large International Pharmaceutical Company

Turnkey implementation of SSC for units located in Russia, Ukraine and Kazakhstan: feasibility study for SSC implementation; designing conceptual and detailed roadmaps, development of controlling documents, development of KPI system, drafting a service agreement, personnel assessment and selection, implementation of processes in IT solution.

One of the Largest National Media Companies

Feasibility study for SSC implementation: development of key SSC processes; calculation of metrics and internal benchmarking of comparable processes in the group's companies; recommendations on harmonizing statutory and tax accounting methodologies, SSC organizational structure, and pricing model selection; designing high-level map of SSC IT systems and target application architecture; analysis of possible SSC locations and calculation of economic benefits of SSC implementation, including estimation of payback period.

One of the Largest National Media Companies

Increasing efficiency of SSC processes: designing concept maps of processes, calculation of metrics and internal benchmarking of comparable processes in the group's companies; Business Case calculation and selection of SSC location.

Fast close

Goals and Challenges

- Reduce time required to prepare financial statements and management reporting for each period;
- Improve quality of information to be submitted;
- Enhance internal control over preparation of financial statements.

Our approach

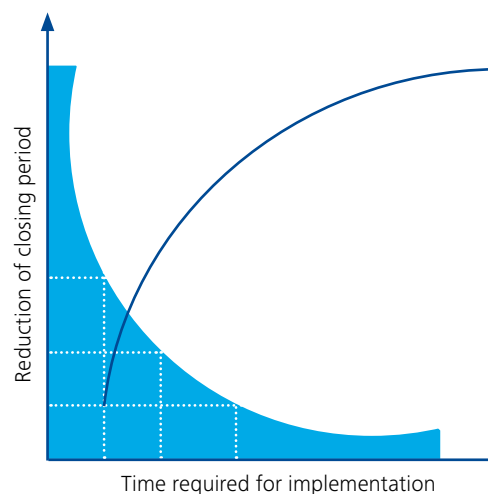
Deloitte offers an integrated approach to fast-close projects. This approach is tailored to meet specific industry needs as well as specific tax, accounting, legal, technological and procedural issues. Our approach is aimed at optimizing complex financial and management reporting procedures in the following areas:

- **Data:** the volume and quality of data processed and submitted during the closing period effect reporting time and quality;
- **Processes:** standardization, centralization or decentralization, optimization, and efficient reporting process organization impact reporting quality and time;
- **Accounting methodology:** the requirements of data and processes are defined by an accounting methodology that meets the needs of financial statement users, giving a fair presentation of business activities and covering international and statutory reporting issues;
- **IT:** Information technologies form an integral part of an efficient reporting system. They must meet business requirements, enable efficient data storage and processing and ensure data reliability and security;
- **Personnel:** effective segregation of duties, communications, HR management and professional training are key to efficient labor organization;
- **Management:** efficient management, monitoring and control of the reporting processes ensures the coordination of all the areas mentioned above;

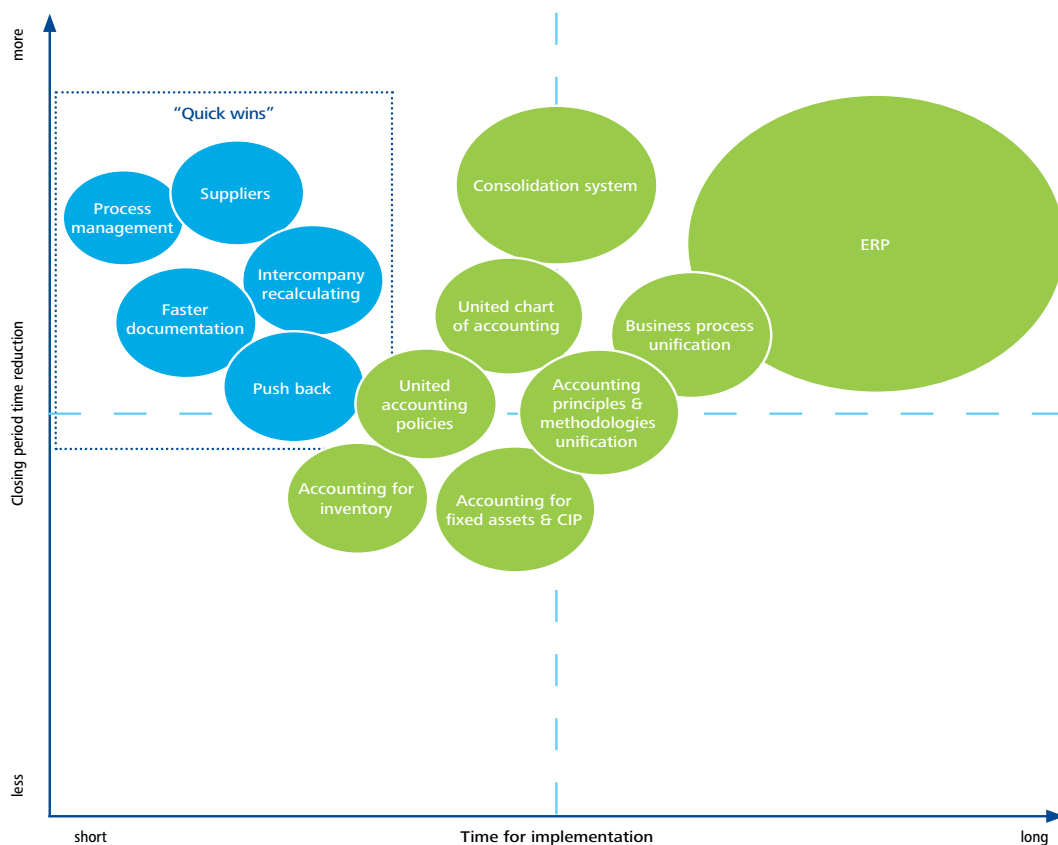
Results

Solutions for most of our clients in Russia and across the CIS typically include the following:

- Optimization of primary data processing in order to accelerate work flow;
- Using the accruals method where work flow acceleration is not possible;
- Reporting process control procedures;
- Optimization of accounting and reconciliation of intercompany transactions;
- Improving the functionality of fixed asset registers for maintaining both statutory and international accounting;
- Developing and implementing a unified chart of accounts for company subdivisions to meet both national and international accounting requirements;
- Optimizing procurement and supplier settlement processes;
- Unification and standardization of accounting processes, procedures and methodologies, allowing the possibility for future centralization and automation as part of the creation of a shared accounting services center;
- Optimization of transformation and consolidation processes;
- Efficient management of the reporting process.



Correlation between closing time, implementation time and required resources



The circle size is proportional to the resources and investments needed

Previous Experience

Oil and Gas Company

Accounting transformation project for upgrading the company's accounting system and practice. As the first large project of this kind in the Russian oil and gas industry, we aimed to accelerate preparation and increase the quality of financial information for internal and external users.

Metallurgy Group

Working out the steps to optimize work flow, improve reporting methodology and accelerate the closing period process. One of the major results was the reduction of the closing period from 8 to 1 day for RAS monthly financial statements, and from 15 to 10 days for IFRS monthly financial statements.

Mobile Operator

Development of steps to improve data quality and accelerate preparation of US GAAP financial statements, reducing preparation time from 120 to 90 days including audit.

Media Group

Development of controlling documents package, and a transformation and consolidation model for the group's IFRS financial statements. Main achievement of the project was reduction of the closing process duration for RAS and IFRS monthly and quarterly reporting from 14 to 5 days and 23 to 5 days respectively.

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