

# **Sistema-Hals JSC**

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## **Explanatory Note to the accounting reporting for 2007.**

The present explanatory note is prepared on the basis of Federal Law "On book keeping" No. 129-FZ dated November 21, 1996 (item 2, art. 13) and is aimed to provide users with additional data for having a complete understanding of financial and economic activity of Sistema-Hals (further the Company) and its property status.

### **1. The basic data on the Company.**

Legal address: 109017, Moscow, Bolshaya Tatarskaya street, 35, build. 4.

State registration: Certificate No. 850.856 dated January 21, 1994.

Certificate on entering into the Uniform State Register of Legal Persons registered before July 01, 2002, series 77 No. 006110250. Main State Registration Number - 1027739002510.

Licenses:

GS-1-99-02-27-0-7706032060-048662-2 of March 2, 2007 for activity in construction of buildings and constructions of I and II levels of responsibility according to the state standard. Validity - until March 2, 2012;

GS-1-99-02-26-0-7706032060-048661-2 of 02.03.07 for activity in designing of buildings and constructions of I and II levels of responsibility according to the state standard. Validity - until March 2, 2012.

INN (tax payer number) 7706032060, KPP (Industrial Enterprise Classification Code) 774501001, the sole executive body is the President.

The amount of the Authorized Capital of Sistema-Hals makes 560,854,700.00 roubles and is completely paid by cash. The increase in the size of the Authorized Capital was registered in 2007, registration record no. 2077746362857 of January 19, 2007. The amount of the increase makes 156,478,450.00 roubles and is made through the additional share issue in 2006. The source of the additional issue is the additional capital. The Authorized Capital consists of 11217094 of ordinary registered shares with the face-value of 50 roubles each.

The additional capital of the Company did not increase in 2007 and makes 17,231,402,818.46 roubles.

### **The basic types of activity according to the Charter:**

repair and construction works;

design works;

consulting, scientific and technical works, agency services, servicing, advertising;

manufacture of building materials;  
building - assembly and starting-up and adjustment works;  
engineering services;  
development activity.

Sistema-Hals is subject to obligatory audit as it meets the criterion established by art. 7 Federal Laws dated August 7, 2001 No. 119-FZ "On auditing activity".

Name of the auditor: ReFinAudit LLC

Address: 119602, Moscow, Akademika Anokhina street, 38, build. 1.

License: No. E002708 dated December 10, 2002, issued for the period of 5 years.

Is a member of the Noncommercial partnership the Moscow Auditors Chamber

## 2. Main provisions of the accounting policy.

Income and expenditure of the Company in 2006 with a view of book keeping and for calculation of the profit tax are recognized in that accounting period in which they occurred, i.e. on the accrual basis.

The date of realization for calculation of VAT is deemed the earliest of the following dates: date of payment or date of a recognition of proceeds from provision of works or services.

The basic assets in the balance of Sistema-Hals are registered in the amount of 48,248,357.58 roubles,

Including:

- machines and equipment in the amount of 33,146,142.00 roubles.
- vehicles in the amount of 9,739,898.00 roubles.
- other in the amount of 5,362,318.58 roubles.

In 2007 the reserve for forthcoming expenditures on completion of construction objects was not created. The reserves created earlier were spent in 2007 for the total amount of 307,761,761.00 roubles, including:

From the means of the reserve expenditures for the guarantee operation of objects of construction, and repair and building works were made. In total the balance of the remaining reserve as of the end of the year makes 80,902,238.82 roubles.

Estimation of cost of financial investments, on which the current market cost is not determined, is made at the initial cost of each unit at their disposal.

## 3. Detailization of separate parameters of the reporting.

In 2007 the construction was a basic type of activity of Sistema-Hals.

The grand total of Sistema-Hals as of December 31, 2007 made 46,269,939 thousand roubles, including fixed assets – 18,403,875 thousand roubles, current assets – 27,866,064 thousand roubles.

The structure of fixed assets includes the uncompleted construction in the amount of 6,109,212 thousand roubles.

Receivables are reflected in the balance as of December 31, 2007 in the the amount of 11,461,397 thousand roubles, including debts on target financing objects:

- the building of the automatic telephone station at the address: Nastasynsky per., build. 7
- 20,229 thousand roubles.

- office complex at the address: Mokhovaya street, 13 – 219,689 thousand roubles.

The receivables take into account financial investments in the amount of 3,509,489 thousand roubles including:

- securities – 2,892,862 thousand roubles.
- loans – 157,975 thousand roubles.
- debts under assignment agreements – 458,652 thousand roubles.

Accounts payable under the received loans and credits amounts as of the end of 2007 the at 25,431,397 thousand roubles, including:

- short-term liabilities – 4,630,680 thousand roubles,  
including: short-term loans – 4,630,680 thousand roubles.

- long-term liabilities – 17,291,228 thousand roubles.

including: the long-term credit of VTB Bank – 17,291,228 thousand roubles.

The debts under credits is reflected including interests not paid as of the end of the year in the amount of 108,888 thousand roubles.

The financial result of 2006, with a view of book keeping, is the profit in the amount of 144,664,234.82 roubles which is reflected in the on Profit and loss report in the line 140. The financial result with a view of tax accounting is the profit in the amount of 302,070,203.38 roubles (the tax declaration on the profit tax). At calculation of the tax base the loss of the last years is taken into account in the amount of 100 % of the tax base of the current period in the amount of 276,531,640.00 roubles, according to art. 283 of the Tax Code of the Russian Federation. The tax base with a view of taxation amounted to 25,538,563.38 roubles. The profit tax - to 6,129,255.00 roubles.

The cost of net assets of the Company as of December 31, 2007 amounts to 17,623,765 thousand roubles.

#### **4. Affiliated persons.**

The list of affiliated entities of Sistema-Hals as of December 31, 2007 is attached to the Explanatory Note as the Appendix on 33 sheets.

#### **5. Structure of the Board of Directors:**

- F.V. Evtushenkov
- D.L. Zubov
- D. Gammer
- V.M. Abramson
- D. Daft
- S.A. Drozdov
- R. Tsenin
- A.N. Buyanov
- A.Ju. Goncharuk

President of Sistema-Hals

F.V.Yevtushenkov

Chief Accountant

V.S.Uzhondin

March 30, 2008