



**International Public Sector Accounting Standards**

# **Financial Statements and Independent Auditor's Report**

**31 December 2017**



## CONTENTS

MESSAGE FROM THE RECTOR

FINANCIAL REVIEW

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position.....	1
Statement of Financial Performance.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows .....	4
Statement of Comparison of Budget and Actual Amounts.....	5

NOTES TO THE FINANCIAL STATEMENTS

1. General Information.....	6
2. Operating Environment of the University.....	8
3. Summary of Significant Accounting Policies .....	9
4. New Accounting Pronouncements .....	24
5. Critical Accounting Estimates and Judgements in Applying Accounting Policies .....	24
6. Changes in Presentation.....	26
7. Segment Information .....	26
8. Cash and Cash Equivalents.....	28
9. Receivables and Prepayments .....	29
10. Non-Current Assets to be Returned to Founder .....	30
11. Other Assets and Liabilities .....	31
12. Property, Plant and Equipment .....	32
13. Intangible Assets .....	34
14. Investments .....	36
15. Significant Non-Cash Investment Transactions .....	36
16. Trade and Other Payables .....	36
17. Taxation .....	37
18. Advances Received for Non-Exchange Transactions .....	37
19. Advances Received for Exchange Transactions .....	37
20. Provisions for Liabilities and Charges .....	38
21. Balances and Transactions with the Founder .....	38
22. Revenue from Educational Services.....	39
23. Revenue from Research and Development Work .....	40
24. Subsidies for the Development of the University.....	40
25. Subsidies and Donations for Scholarships .....	40
26. Salaries, Compensation under Civil Contracts and Charges for Said Payments .....	40
27. Outsourced Services .....	41
28. Other Expenses.....	41
29. Taxes and Levies .....	42
30. Income Tax .....	42
31. Statement of Comparison of Budget and Actual Amounts .....	42
32. Financial Risk Management.....	43
33. Balances and Transactions with Related Parties .....	44
34. Contingencies and Commitments.....	45

## MESSAGE FROM THE RECTOR



I am pleased to present the 2017 financial report for the National University of Science and Technology MISiS ("NUST MISiS"), which has been prepared in accordance with international standards. This document contains information about NUST MISiS in its entirety, including about its four branch campuses and one representative office. Our university is one of only several Russian institutions of higher education that issues financial statements and conducts audits in accordance with international standards.

NUST MISiS is one of the most dynamically developing research and learning centres in Russia, attracting top students, leading scientists and talented teachers. The university focuses in particular on the integration of research, learning and innovation, as well as on nurturing a creative ecosystem that empowers all students to realise their full potential.

Our strategy of integrated, holistic development has enabled NUST MISiS to demonstrate impressive results in all areas of activity: research, learning and extracurricular. The university has launched several major research projects, and our researchers have substantially increased both the quantity and quality of their scientific publications.

In November 2017, the Ministry of Education and Science of the Russian Federation rated the quality of the university's financial management using the criteria of planning, sustainability and key performance indicators for 2016. According to the results, NUST MISiS ranked seventh among 229 Russian institutions of higher education and first among the country's leading universities.

The university's aggregate income for the 2017 fiscal year was RUB 6,379 million. We ended the year with a high level of current liquidity, as evidenced by the carry-over funds on current accounts that amounted to 22% of annual revenue and a low level of liabilities equal to 5% of the balance sheet.

In 2017, NUST MISiS invested RUB 826 million in the development of contemporary infrastructure, having increased investments by 2% in comparison to 2016. We completed a number of large infrastructural projects, including the establishment of new, state-of-the-art research laboratories; the construction of a new student residence hall for the A. A. Ugarov Institute of Technology at Stary Oskol (one of the NUST MISiS branch campuses); and the refurbishing of the V.V. Ershov Museum and Student Services Centre.

In collaboration with business partners and leading Russian and international universities, NUST MISiS has created and successfully introduced new educational offerings that have increased revenues from learning activities by 13%. Thanks to our ongoing professional navigation programme, which is focused on attracting talented students (e.g. medallists and winners of various academic Olympiads), NUST MISiS conducted its most successful admissions campaign yet, reaching fourth place among Russian institutions of technical higher education by the quality of new students. Extracurricular activities in multiple areas were acknowledged with awards at the national level. These impressive results occurred due to the systemic work of the entire university community. At the same time, the NUST MISiS leadership team has placed great emphasis on providing social support for students and on the level of remuneration for teachers and researchers, to the extent that respective expenditures increased by 5% in 2017.

NUST MISiS has always had close ties with industries throughout its history. Systemic collaboration with business partners is one of our priorities, and in this respect we are actively engaged with more than 1,600 companies in various learning, research and social projects. Our university traditionally scores more than 95 points out of a maximum of 100 and maintains a leading position in the Graduate Employability rating for “Interaction between Students and Employers”.

NUST MISiS has some 50 unique stipend and grant opportunities. The largest stipends are jointly awarded with our key business partners, which include Metalloinvest, OMK, SUEK, IBS, TMK, Giredmet, Rigaku, EuroChem, Norilsk Nickel, Rosatom and TVEL, among others. I am deeply grateful to our alumni and business partners for their ongoing support of the university.

An objective indicator of our success has been the strengthening of the university’s positioning in major international educational rankings. In 2017, NUST MISiS maintained its positive dynamic in the QS and THE world university rankings, having advanced by 100 and 200 positions, respectively. In addition, our university for the first time entered the ranks of the THE, QS and ARWU subject rankings, including placing in the top 50 in the QS World University Rankings by Subject in “Engineering – Mineral & Mining”, as well as in the top 100 of the Shanghai Global Ranking of Academic Subjects in “Metallurgical Engineering”.

The NUST MISiS community has ambitious goals and is facing difficult challenges, but I am confident that we will duly meet them. We have all the tools to become one of the best universities of science and technology not only in Russia but around the world: a well-conceived development strategy, a highly-qualified team of professionals, talented students, ultramodern learning and research infrastructure, and the support of businesses and industries.

A.A. Chernikova  
Rector, NUST MISiS



## FINANCIAL REVIEW

### 1. Key financial results

NUST MISiS pursues long-term financial stability and sustainable development. At the end of this financial year, the University had a positive net operating cash flow of RUB 52,074 thousand and continued to invest in campus modernisation and building a workforce pipeline.

According to the Statement of Financial Position for the year 2017, the University's net assets were RUB 25,284,195 thousand. The current liquidity ratio of 1.28 shows that the University has sufficient liquidity to serve its current liabilities (current assets exceed current liabilities by 28%). Equity to assets ratio was 0.95 (statutory ratio is 0.5+), showing that the University is independent from external sources of funding.

According to the Statement of Financial Performance, revenues have shrunk by RUB 407,133 thousand to RUB 6,378,573 thousand as a result of cutbacks to funding from the federal budget for infrastructure upgrade and R&D work. It should be noted that partially, the reduction of revenue was set off by higher income from educational services, up 12% or RUB 256,205 thousand. The University's total costs mirrored the decline in income by 5%, while compensation expenses have increased by 5%.

In 2017, the University reported losses of RUB 214,260 thousand in the Statement of Financial Performance. This resulted from the application of IPSAS 23. According to the accounting policy, development subsidies under public engagement are recognised within revenue from non-exchange transactions in the period when the University received the right to such income, regardless of when such subsidies would be spent.

The University received subsidies under the public engagement to upgrade its facilities and build a High-End Prototyping Centre in 2015 and 2016 and recognised respective income at the dates of agreements with the Ministry of Education and Science of the Russian Federation, while the expenses were recognised when incurred, throughout 2015–2017.

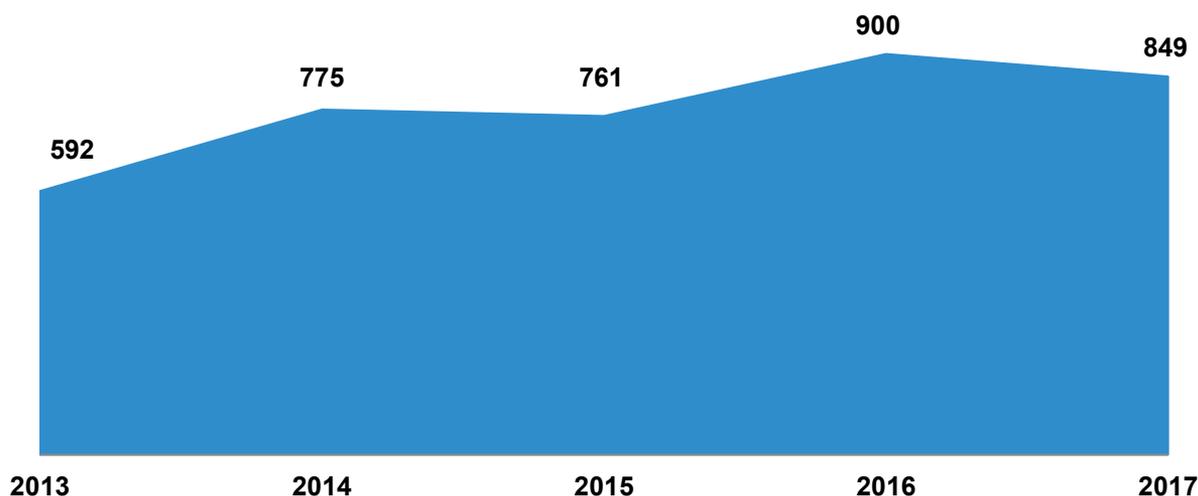
*Table 1.  
Impact of the recognition of subsidies under the public engagement to upgrade its facilities and build a High-End Prototyping Centre on the financial performance, RUB thousand*

Description	2017	2016	2015
Income from subsidies	-	400,000	1,422,000
Spending of subsidies	195,347	687,241	591,685
Subsidies surplus (deficit)	(195,347)	(287,241)	830,315
Surplus (deficit) according to the Statement of Financial Performance	(214,260)	(234,893)	1,483,805

## 2. Competitiveness Enhancement Programme

Competitiveness Enhancement Programme is a project of the Russian Government aimed at raising the competitive positions of leading Russian Universities at the global market of educational services and research programmes. The University joined this programme in 2013.

Fig. 1. Financing of the Competitiveness Enhancement Programme with breakdown by years, RUB million



The programme allows to convert our University into a world-class university by key areas of research, education and management. In 2017, NUST MISiS strengthened its positions in the Competitiveness Enhancement Programme, as evidenced by international and domestic ratings of the University, as well as successes in fundamental and applied research. The Council of the Programme appreciated the progress with the road map for 2016–2017 and the growth rate, since the University was a leader by these parameters.

## 3. Educational services

In 2017, the University had 17,204 students, including 12,584 in the higher education programmes and 1,621 in secondary vocational education programme.

NUST MISiS is building a research university model and integrating science and education, therefore, its priorities include having a higher number of post-graduate (Master's and PhD) students and ensuring communication between researchers and students. In 2017, post-graduate students represented 19% of the total student body, having grown by 10 p.p. in 4 years. 65% of the students in our University study engineering.

Fig. 2. Change in structure of student body by level of education, %

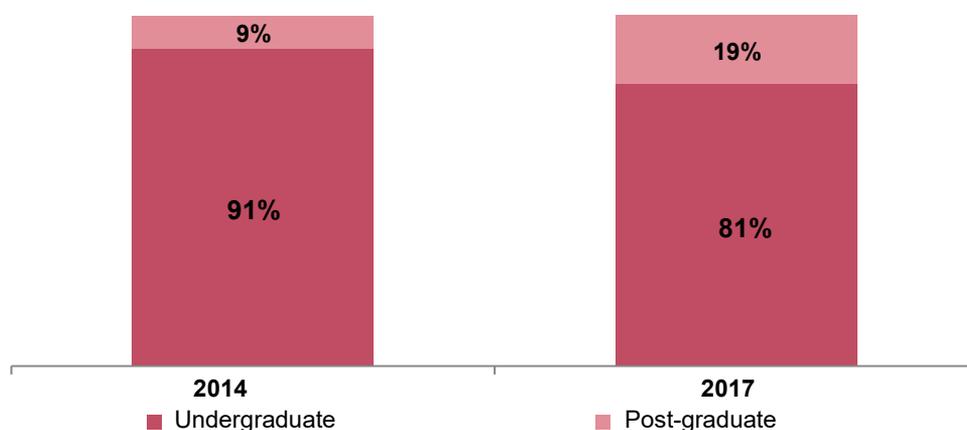
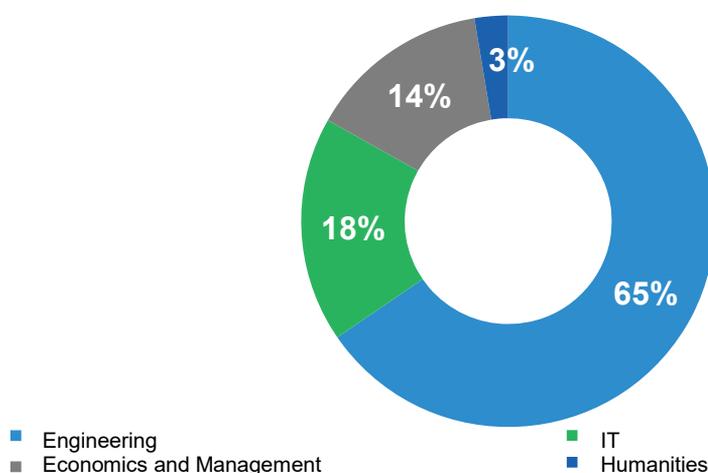


Fig. 3. Structure of higher education student body by field of study, 2017, %



The cost of educational services provided by the University has risen by 4%, inside the inflation rate underlying the federal budget of Russia for 2017. The cost of education in NUST MISiS is competitive by comparison to the leading technical universities of Moscow.

Revenues from education programmes yielded RUB 2,395,845 thousand, including RUB 1,839,207 thousand from the federal budget, or 77% in the structure of financing sources for educational services. By 2016, income growth rate was 13%.

#### 4. Dormitories

The University is proud of its dormitories. They offer everything necessary for life and studies: high-speed internet, computer classrooms and a reading room. Campuses boast an extensive infrastructure with a swimming pool, a sports complex, hairdresser's, cafe and canteen, autonomous boiler room and laundry. There are 11 dormitories for 6,312 places in Moscow, which fully covers the University's demand. Dormitories for another 413 places are available in the cities where the University's branches are located.

The price of living in NUST MISiS dormitories for students enrolled to publicly funded seats in Moscow ranges from RUB 1,300 to RUB 2,000, in branches – from RUB 273 to RUB 545 per month. Low prices and comfortable conditions are one of the competitive advantages of our University.

## 5. Financial support of students

Students receive financial support from the federal budget, the University's funds and the business community. In 2017, the total financial support of students was RUB 369,496 thousand, up 2% vs. 2016.

The University also facilitates the students' aesthetic and moral development by organising cultural and sports activities. Funding of these activities was increased in 2017 by 38% to RUB 55,132 thousand.

See below for the most outstanding of the events financed in 2017.

*Fig. 4. The first international hackathon VisionHack for Universities 2017 on artificial intelligence and computer vision for driverless vehicles. 8 teams from foreign universities took part in the event together with Russian students. These include: MIT (USA), Cambridge (UK), ASU (USA), USTB (China), UPC (Spain).*



*Fig. 5. KVN with teams from multiple universities.*

*Fig. 6. Freshmen's Cup The students that have just entered the university have an opportunity to demonstrate their talents and charisma.*

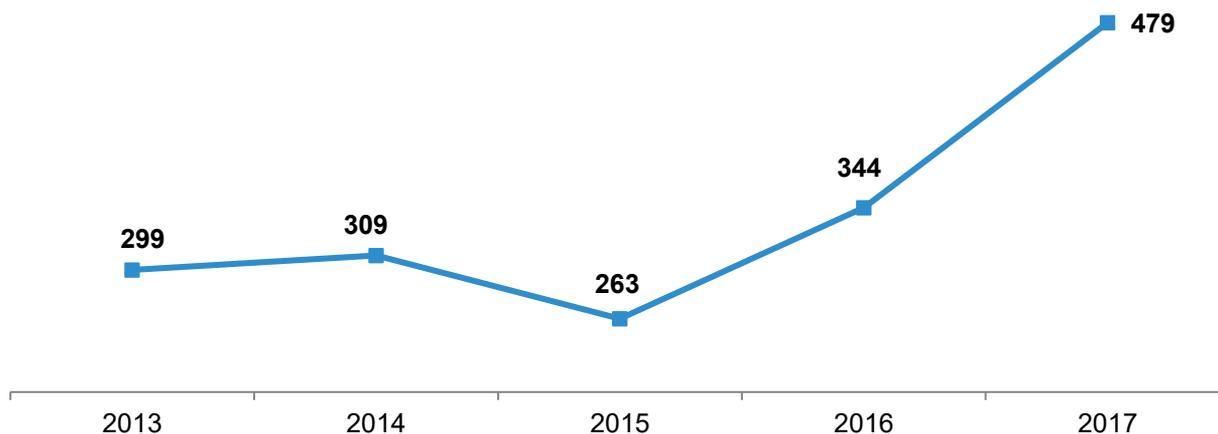


## 6. Research and development

Revenues from R&D activities, technical services and grants from research foundations were RUB 1,795,803 thousand. The bulk of financing in 2017 was received from federal special purpose programme for Research and Development in Priority Areas of Russian Science and Technology for 2014–2020 (35%) and commercial agreements (27%).

The University is receiving additional R&D funding from the budget for the Competitiveness Enhancement Programme known as Project 5-100 (in 2017, it received RUB 634,841 thousand).

Fig. 7. R&D funding under commercial agreements with business partners, RUB million



R&E funding under contracts with commercial entities in 2017 was RUB 479 million, which is 39% more than in 2016.

The University received 29% of its income from R&D, ensuring its sustainable development as a multi-profile research centre with a growing reputation in the international research community, and a higher publishing activity of the University's faculty. In 2017, 12 publications by NUST MISiS were included in the TOP 1% of best articles according to SNIP (SCOPUS).

In 2017, the leader among the University's 8 colleges was the College of Environmentally Sound Technologies & Engineering that received RUB 472 million for R&D. It is closely followed by the College of New Materials and Nanotechnologies with RUB 408 million. The aggregate amount of funding received by the College of Mining that united the main Departments and labs of the Moscow State Mining University, was RUB 91 million.

## 7. Donations

Every year, the University receives support from individuals and legal entities in the form of donations for research and academic projects. In 2017, the University received RUB 125,660 thousand in donations.

Along with direct donations, the University's partners support it through the NUST MISiS Endowment Fund, a separate legal entity. The purpose and intent of the fund are:

- Supporting research and academic activities of young scientists, post-graduate and undergraduate students, heads of research schools and honoured teachers of NUST MISiS who develop and implement innovative projects and new teaching technologies;
- Creating and maintaining talent pipeline for the University;
- Assisting its alumni with employment;
- Developing partnerships with its alumni;
- Creating a culture of charity in Russia.

The Fund is governed by the Management Board and the Board of Trustees.

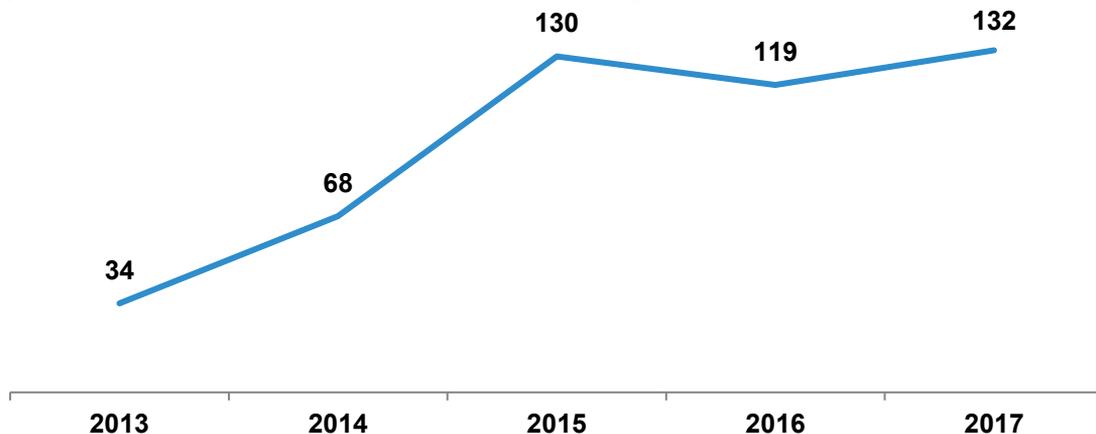
The fund transfers the donations to management companies under trust management agreements. The NUST MISiS Endowment Fund has 2 endowments handled by two management companies: Management Company OAO Eurofinances (Endowment 1 of NUST MISiS) and ZAO "Gazprombank-Asset Management" (Endowment 2 of NUST MISiS in TOP 100). All the cash is invested in bonds (federal / subfederal), shares and deposits. In 2016 and 2017, the endowment body is invested in currencies as follows: Endowment 1 – 37.69%, Endowment 2 – 50%.

Income from trust management is used to support the projects of NUST MISiS, and the Fund is not allowed to spend more than 15% on administrative expenses.

*Table 2. Key indicators of Endowment Fund*

<b>Description</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Income from trust management, RUB million	0.7	1.8	22.0	2.9	6.1
Annual yield, %	11.2	4.7	18.5	2.5	5.1
Inflation rate in Russia, %	6.5	11.4	12.9	5.4	2.5
Net assets market value at the end of the year, RUB million	34.4	68.1	129.9	118.9	132.3

*Fig. 8. The Fund's net assets value at the end of the reporting period, RUB million*



In 2017, the Fund spent RUB 5,691 thousand, providing financial support to the following initiatives of the University:

- scholarship and grant programmes, including the Giredmet Award, Deineko TMK Scholarchip, Strizhko Award, Gorelik Award, Arutyunov Scholarship, Rosatom Competition of Research Grants,
- Student of the Year, Teacher of the Year, Employee of the Year,
- Endowment Breakfast.

Fig. 9. Award ceremony for Teacher of the Year,  
A. A. Basharin



Fig. 10. Award ceremony for Student of the Year



Fig. 11. Presentation of Rosatom projects



## 8. Operating expenses

In 2017, the University's operating expenses have increased by 1% to RUB 6,090,566 thousand. The biggest cost item is staff costs – 57%.

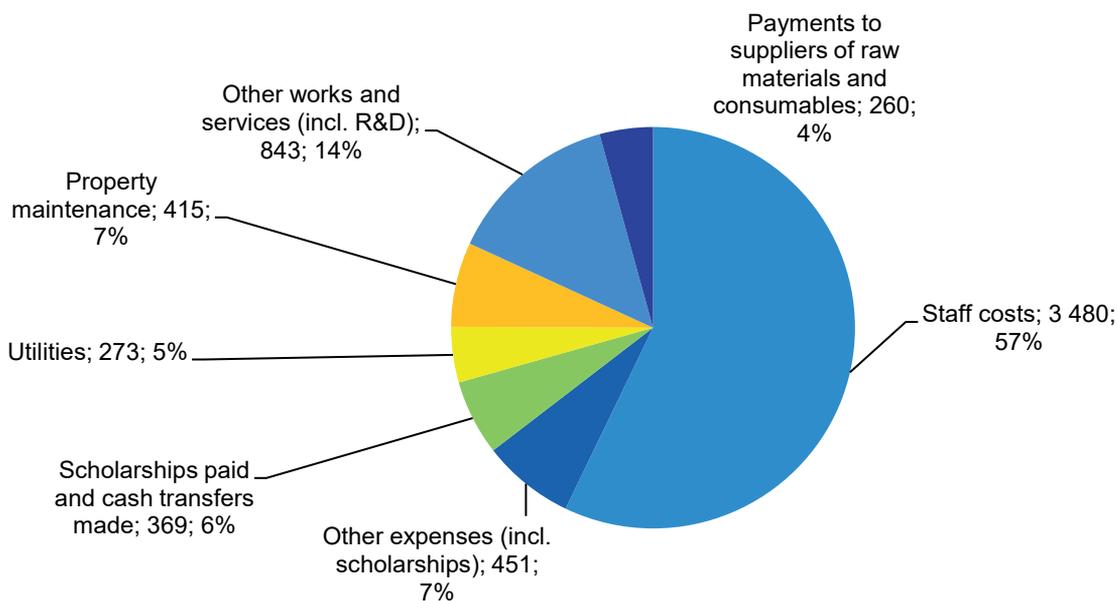
This line item has increased by 5% or RUB 161,677 thousand. Higher staff costs were driven by the Resolution of the Russian Government No. 772-r "On Approval of Plan of Actions ("road map") for Changes in Social Segments Aimed at Enhancing the Efficiency of Education and Science" of

30.04.2014. Salaries across all staff categories have risen by 8 to 28%, including an increase by 21% for the faculty.

The University's average headcount is 2,931 persons, including faculty of 795 persons, 87 teachers and 407 researchers.

In 2017, utility costs increased by 7% due to higher tariffs.

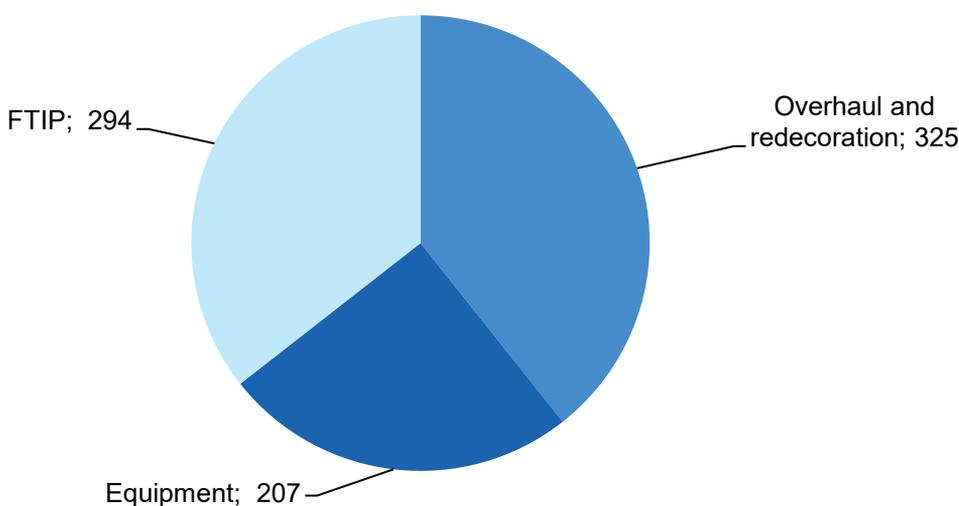
Fig. 12. Structure of the Group's operating expenses, 2017, RUB million



## 9. Investment expenses

In 2017, the University spent RUB 826,371 thousand on building a modern campus infrastructure.

Fig. 13. Investment expenses in 2017, RUB million



Major projects financed in 2017 are presented on fig. 15-18

Fig. 14. Redecorating Ershov museum and buying furniture at: 6/1 Leninsky prospekt



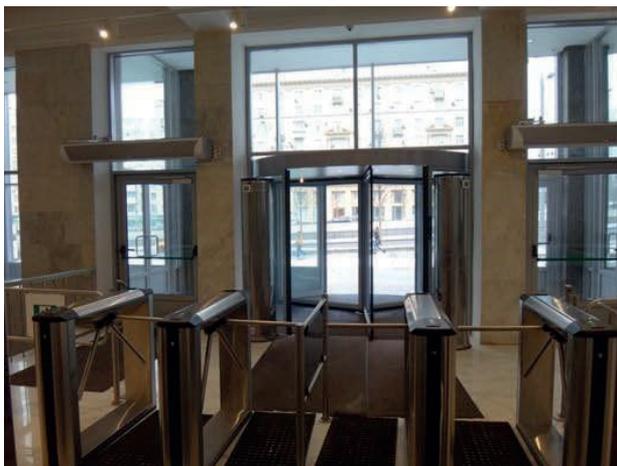
Fig. 15. Overhauling the premises of the Point of Innovations at 6/7 Leninsky prospekt



Fig. 16. Redecorating the student office of NUST MISiS at 6/1 Leninsky prospekt



Fig 17. Redecorating the lab premises of NUST MISiS at 3 Krymsky Val



## 10. Management's Responsibility for the Financial Statements

The University's management is responsible for the preparation and fair presentation of the financial statements. The University's financial statements were prepared in accordance with IPSAS. The financial statements have been audited by independent auditors, AO PricewaterhouseCoopers Audit.

The University maintains internal controls over the financial statements, based on which the University's management believes that the published financial statements are reliable.

Internal control covers accounting and reporting, recruitment and training of the University's personnel, and internal audit procedures. The internal control system ensures reasonable reliability of financial statements, though no controls can fully rule out the human factor or potential override of controls.

The University provides internal and external auditors a free and full access to its financial information.



G. V. Timokhova  
Chief Financial Officer



A. V. Kravtsova  
Chief Accountant





## *Independent Auditor's Report*

To the Supervisory Board of Federal State Autonomous Educational Institution of Higher Education "The National University of Science and Technology "MISiS":

---

### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Federal State Autonomous Educational Institution of Higher Education "The National University of Science and Technology "MISiS" (the "University") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

### **What we have audited**

The University's financial statements comprise:

- Statement of financial position at 31 December 2017
- Statement of financial performance for the year then ended
- Statement of changes in net assets for the year then ended
- Cash flow statement for the year then ended
- Statement of comparison of budget and actual amounts for the year then ended
- Notes, comprising a summary of significant accounting policies and other explanatory notes.

---

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the University in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

---

### *Other information*

Management is responsible for other information. Other information obtained at the date of the auditor's report is the Annual Report (that does not include financial statements and other auditor's report on these statements).

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed in respect of other information received before the date of this auditor's report we conclude that such other information is materially misstated, we are required to report that fact. We have nothing to report in this regard.

---

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

---

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going



concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

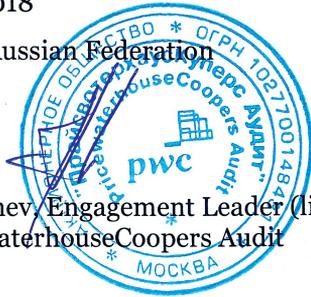


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*AO PricewaterhouseCoopers Audit*

20 June 2018

Moscow, Russian Federation



A. A. Okishev, Engagement Leader (licence No. 01-000170)  
AO PricewaterhouseCoopers Audit

Audited entity: Federal State Autonomous Educational Institution of Higher Education "The National University of Science and Technology "MISIS"

State registration certificate No. 066.824  
issued by Moscow Registration Chamber on 01 August 1997

Certificate of inclusion in the Unified State Register of Legal Entities  
issued on 23 October 2002 under registration № 1027739439749

4 Leninsky Prospect, Moscow, 119049, Russian Federation

Independent auditor:  
AO PricewaterhouseCoopers Audit

State registration certificate No. 008.890  
issued by Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities  
issued on 22 August 2002 under registration № 1027700148431

Member of self-regulating organisation of auditors Russian Union of Auditors (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology "MISiS"  
Statement of Financial Position  
In thousands of Russian roubles

	Note	31 December 2017	31 December 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,403,027	1,573,904
Receivables and prepayments	9	191,811	173,806
Inventories		28,997	37,780
Taxes and charges overpaid		14,747	6,305
Non-current assets to be returned to founder	10	12,152	12,152
Current income tax overpaid		4,328	-
Other assets	11	11,946	23,375
<b>Total current assets</b>		<b>1,667,008</b>	<b>1,827,322</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	24,777,113	24,423,418
Intangible assets	13	99,391	103,988
Deferred tax assets	30	21,783	21,411
Investments in associates		20,178	20,701
Advances issued for construction and acquisition of property, plant and equipment		231	111,014
Investments	14	-	241,896
<b>Total non-current assets</b>		<b>24,918,696</b>	<b>24,922,428</b>
<b>TOTAL ASSETS</b>		<b>26,585,704</b>	<b>26,749,750</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Advances received for exchange transactions	19	388,980	205,175
Trade and other payables	16	300,212	418,133
Provisions for liabilities and charges	20	258,000	258,000
Advances received for non-exchange transactions	18	198,949	381,815
Taxation	17	143,422	125,039
Income tax settlements with the budget		-	17,221
Other liabilities		11,946	23,364
<b>Total liabilities</b>		<b>1,301,509</b>	<b>1,428,747</b>
Balances and transactions with the founder	21	24,262,888	23,868,220
Accumulated surplus		1,021,307	1,452,783
<b>Total net assets</b>		<b>25,284,195</b>	<b>25,321,003</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>26,585,704</b>	<b>26,749,750</b>

Approved for issue and signed on 20 June 2018.

A. A. Chernikova  
Rector

G. V. Timokhova  
Chief Financial Officer

A.V. Kravtsova  
Chief Accountant

The accompanying notes on pages 6 to 46 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology "MISiS"  
Statement of Financial Performance  
(in thousands of Russian roubles)**

	Note	2017	2016
<b>Revenue</b>			
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>4,525,247</b>	<b>4,789,906</b>
Educational services	22	2,385,509	2,129,304
Research and development services	23	1,474,805	1,884,248
Rental revenue		402,187	393,138
Other services		262,746	383,216
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>1,853,326</b>	<b>1,995,800</b>
Subsidies for the development of the University	24	1,035,542	1,257,078
Subsidies and donations for scholarships	25	328,833	310,969
Budget appropriation under FTIP		294,890	239,025
Donations for statutory activity		99,749	125,010
Other revenue from non-exchange transactions		94,312	63,718
<b>Total revenue</b>		<b>6,378,573</b>	<b>6,785,706</b>
<b>Expenses</b>			
Salaries, compensation under civil contracts and charges for said payments	26	(3,606,672)	(3,424,879)
Third party services	27	(1,267,930)	(1,947,039)
Depreciation of property, plant and equipment	12	(678,418)	(645,241)
Scholarships and transfers	25	(369,886)	(360,471)
Cost of raw materials and consumables used		(310,077)	(221,102)
Taxation	29	(180,719)	(177,557)
Amortisation of intangible assets	13	(23,788)	(17,219)
Receivable impairment provision (charge)/release		(20,517)	2,216
Release of provision for legal claims	20	-	21,568
Other expenses	28	(121,808)	(157,353)
<b>Total expenses</b>		<b>(6,579,815)</b>	<b>(6,927,077)</b>
Gain / loss on foreign exchange transactions		(10,129)	(42,848)
<b>Participation in the results of associates and joint arrangements</b>		<b>(522)</b>	<b>(2,047)</b>
<b>Deficit for the period before taxes</b>		<b>(211,893)</b>	<b>(186,266)</b>
Income tax	30	(2,367)	(48,627)
<b>Deficit for the period</b>		<b>(214,260)</b>	<b>(234,893)</b>

The accompanying notes on pages 6 to 46 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology "MISiS"  
Statement of Changes in Net Assets  
(in thousands of Russian roubles)**

	Note	Balances and transactions with the founder	Surplus / (deficit)	Total net assets
<b>Balance at 1 January 2016</b>		<b>23,138,095</b>	<b>2,175,568</b>	<b>25,313,663</b>
Deficit for the period		-	(234,893)	<b>(234,893)</b>
Depreciation of property plant and equipment under operational management	21	(490,086)	490,086	-
Additions to property, plant and equipment (real estate and highly valuable assets)	21	684,709	(684,709)	-
Additions to property, plant and equipment contributed by founders	21	242,233	-	<b>242,233</b>
Return of non-current assets to founders	21	293,269	(293,269)	-
<b>Balance at 31 December 2016</b>		<b>23,868,220</b>	<b>1,452,783</b>	<b>25,321,003</b>
Deficit for the period		-	(214,260)	<b>(214,260)</b>
Depreciation of property plant and equipment under operational management	21	(512,809)	512,809	-
Additions to property, plant and equipment (real estate and highly valuable assets)	21	487,229	(487,229)	-
Reclassification of property, plant and equipment	21	900	(900)	-
Additions of property, plant and equipment contributed by founders	21	177,452	-	<b>177,452</b>
Reclassification from investments	12	241,896	(241,896)	-
<b>Balance at 31 December 2017</b>		<b>24,262,888</b>	<b>1,021,307</b>	<b>25,284,195</b>

The accompanying notes on pages 6 to 46 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology "MISiS"  
Statement of Cash Flows  
(in thousands of Russian roubles)**

	Note	2017	2016
<b>Cash flows from operating activities</b>			
<b>Cash flows from exchange transactions:</b>			
Tuition fees		2,395,845	2,123,859
Payments for research and development services		1,612,548	1,853,226
Rental revenue		516,126	459,580
Payment for other services		238,268	402,153
<i>including interest income</i>		28,601	16,737
<b>Cash flows from non-exchange transactions:</b>			
Subsidies for the development of the University		849,248	1,330,003
Grants from RFBR and RSF		90,451	52,263
Subsidies and donations for scholarships		330,517	300,805
Donations for statutory activity		97,796	104,567
Other revenue from non-exchange transactions		11,841	1,277
<b>Total cash flows from operating activities</b>		<b>6,142,640</b>	<b>6,627,733</b>
<hr/>			
Compensation of employees, including social security contributions		(3,479,769)	(3,318,092)
Third party services paid		(1,530,853)	(1,685,821)
Scholarships and transfers paid		(369,496)	(360,651)
Raw materials and supplies paid		(259,766)	(190,968)
Taxation paid		(283,608)	(275,426)
Other expenses paid		(142,785)	(155,887)
Income tax paid		(24,289)	(48,450)
<b>Total cash flows from operating activities</b>		<b>(6,090,566)</b>	<b>(6,035,295)</b>
<hr/>			
<b>Net cash flows from operating activities</b>		<b>52,074</b>	<b>592,438</b>
<hr/>			
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(207,092)	(202,748)
Deposits placed		(242,883)	(339,994)
Recovery of deposits		251,753	316,102
Acquisition of intangible assets		(19,190)	(48,388)
<b>Net cash flows used in investing activities</b>		<b>(217,412)</b>	<b>(275,028)</b>
<hr/>			
Effect of exchange rate changes on cash and cash equivalents		(5,539)	(1,776)
<hr/>			
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,573,904</b>	<b>1,258,270</b>
<hr/>			
<b>Net change in cash</b>		<b>(170,877)</b>	<b>315,634</b>
<hr/>			
<b>Cash and cash equivalents at the end of the year</b>		<b>1,403,027</b>	<b>1,573,904</b>
<hr/>			

The accompanying notes on pages 6 to 46 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology "MISIS"  
Statement of Comparison of Budget and Actual Amounts  
(in thousands of Russian roubles)**

	<b>Budget</b>		<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>Initial</b>	<b>Final</b>		
<b>Revenue</b>				
Revenue from property	372,258	464,571	466,001	(1,430)
Revenue from fee-based services	1,652,500	1,512,048	1,499,831	12,217
Revenue from interest, penalties and other enforced collections	100	3,463	3,963	(500)
Gains on transactions with assets	-	348	283	65
Other revenue	2,743,370	4,095,279	4,094,524	755
including:				
Subsidies for fulfilment of public engagement	2,309,268	2,666,077	2,664,775	1,302
Subsidies for other purposes	300,360	1,203,311	1,203,311	-
Non-repayable contributions from supranational organisations, foreign governments and international financial organisations	19,750	-	-	-
Other income	113,992	225,891	226,438	(547)
<b>Total income</b>	<b>4,768,228</b>	<b>6,075,709</b>	<b>6,064,602</b>	<b>11,107</b>
<b>EXPENSES</b>				
Compensation of employees, including social security contributions	(3,174,250)	(3,526,739)	(3,411,905)	(114,834)
Purchased services	(1,467,048)	(1,856,014)	(1,803,637)	(52,377)
including:				
Telecommunications services	(20,152)	(17,838)	(17,669)	(169)
Transport services	(6,482)	(9,632)	(9,104)	(528)
Utilities costs	(271,408)	(275,373)	(273,044)	(2,329)
Rent paid	(3,412)	(5,481)	(5,425)	(56)
Maintenance services	(259,554)	(307,524)	(295,218)	(12,306)
Other work and services	(906,040)	(1,240,166)	(1,203,177)	(36,989)
Social security	-	(1,319)	(444)	(875)
Acquisition of non-financial assets	(463,776)	(487,088)	(469,753)	(17,335)
including:				
Property, plant and equipment	(326,753)	(309,547)	(296,694)	(12,853)
Intangible assets	-	(150)	(150)	-
Inventories	(137,023)	(177,391)	(172,909)	(4,482)
Other expenses	(497,110)	(556,076)	(553,139)	(2,937)
<b>Total expenditure</b>	<b>(5,602,184)</b>	<b>(6,427,236)</b>	<b>(6,238,878)</b>	<b>(188,358)</b>
<b>NET PAYMENTS</b>	<b>(833,956)</b>	<b>(351,527)</b>	<b>(174,276)</b>	<b>(177,251)</b>

The accompanying notes on pages 6 to 46 are an integral part of these financial statements.

## 1. General Information

Federal State Autonomous Educational Institution of Higher Education "The National University of Science and Technology "MISiS" (hereinafter – "NUST MISiS" or the "University") was founded in accordance with the resolutions of the USSR Central Executive Committee and the Council of People's Commissars in 1930. In 2011, the University became an autonomous educational institution in accordance with the Order of the Russian Ministry of Education and Science No. 1977 of 31 May 2011.

The University is a unitary not-for-profit entity established to perform education, research, social and cultural functions.

The founder of NUST MISiS is the Russian Federation. The founder's powers and authority are exercised by the Ministry of Education and Science of the Russian Federation. Since 15 May 2018, the Ministry has been in the process of restructuring in accordance with the Order of the President of the Russian Federation "On the Structure of Federal Executive Bodies", to be split into two Ministries.

The Ministry of Education and Science grants subsidies to the University from the federal budget to finance execution of the public engagement, including maintenance costs of real estate and highly valuable moveable property assigned to the University by Rosimushchestvo or acquired by the University with the funding received from the founder for **the acquisition of such property under operational management**, and payment of **taxes on such property, including land plots**.

Resolution No. 1073-r of the Russian Government dated 30 July 2009 approved the "Development Programme for Federal State Educational Institution of Higher Professional Education "The National University of Science and Technology "MISiS" for 2009–2017" (hereinafter – "Development Programme"). The goal of the Development Programme is to set up a modern educational institution of higher education to prepare specialists with a higher education at all levels, performs world-class research and thus makes a significant contribution to the development of Russian economy, science and education.

In accordance with Russian Government Resolution No. 211 "On Government Support to Leading Russian Universities in Order to Enhance their Competitiveness among Leading Global Research and Educational Centres" of 16 March 2013, and the Order of the Russian President No. 599 "On Policy Making in the Field of Education and Science" of 7 May 2012, as the winner of the tender for government support to leading Russian universities in order to enhance their competitiveness among leading global research and educational centres, the University is committed to carry out the competitiveness enhancement programme in accordance with the Plan of Actions agreed with the Russian Ministry of Education and Science, and to enter the TOP 100 ranking of leading global universities according to QS.

**The mission of NUST MISiS** is to become a global centre for engineering education and science. The university forms a creative, international university environment, trains researchers and specialists, fosters bright and successful members of the society who can work together to find viable solutions to the world's most pressing technical and scientific challenges for the benefit of us all.

**The strategic goal of NUST MISiS** is to secure a position as one of the leading global universities according to the key international ratings (THE, QS) by means of world-class fundamental and applied research in materials, nanotechnologies and biotechnologies, metals and mining, as well as information technologies.

The target model of NUST MISiS is designed to transform the University into a global leader in the relevant fields of specialisation and implies the following general characteristics:

- A generally recognized leader in certain fields of science
- A high rating both in subject rankings and overall rankings
- A gravity centre for the funding and best talents from all over the world in the relevant fields of specialisation
- A generator of innovations with a high added value.

## 1. General Information (Continued)

In order to enhance the University's competitiveness and transparency, it was decided to prepare financial statements under IPSAS. NUST MISiS offers a broad range of education and research services, and believes that the adoption of IPSAS would help it publish clearer and more reliable financial information about the University.

**Principal activity.** The University offers higher and secondary vocational education programmes, and additional general education and professional programmes, and engages in fundamental and applied scientific research. NUST MISiS teaches students to prepare experts in metals, nanotechnologies and new materials, information technologies, automated control systems, sustainable and energy-efficient technologies, economy and administration.

The University has over 30 research labs and 3 world-class engineering centres, hosting Russian and foreign scientists. NUST MISiS successfully carries out projects jointly with major Russian and foreign high-tech companies.

As at 31 December 2017 and 31 December 2016, NUST MISiS had three branches in the Russian Federation and one branch in Dushanbe (Tajikistan).

NUST MISiS has investments in associates with interest between 20% and 50%. The number of associates as at 31 December 2017 was 37 entities (31 December 2016: 33 entities). Investments in associates are made to commercialise the University's R&D work. The University obtains interest in associates by contributing the rights to use intellectual property for which the University has exclusive rights.

**Its registered and actual address is:** 4 Leninsky Prospect, Moscow, 119049, Russian Federation.

**Presentation and functional currency.** Unless stated otherwise, the presentation currency of these financial statements is the Russian Rouble, and all amounts are rounded to the nearest thousand. The functional currency is the currency of the primary economic environment in which the organisation operates. NUST MISiS's functional currency and presentation currency is the national currency of the Russian Federation, Russian roubles ("RUB").

Monetary assets and liabilities denominated in foreign currencies are translated into the University's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the end of the reporting period. Gains or losses on foreign exchange transactions are presented in a separate line item "Gains / losses on foreign exchange transactions" in the Statement of Financial Performance. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

## 2. Operating Environment of the University

**Competitiveness Enhancement Programme (Project 5-100)** NUST MISiS mainly operates in the Russian Federation. The Russian Government is carrying out a programme aimed at developing education and science and ensuring that by 2020 at least five Russian universities are among top-100 global universities according to the world university ranking (QS).

The goal of the Competitiveness Enhancement Programme (Project 5-100) (hereinafter – "Project 5-100") is to maximise the competitive position of several leading Russian Universities at the global market of educational services and research programmes.

The main goals of Project 5-100 are:

- Elaborating and taking actions aimed at creating long-term competitive advantages for the universities
- Internationalizing all activities, developing infrastructure to engage the best scientists, teachers, managers and students
- Producing world-class intellectual products
- Building an outstanding academic reputation through conducting breakthrough research and engaging the world's best scientists
- Aligning the education programmes with best practices
- Promoting collaboration between universities, industry and business
- Exporting educational services.

In spring 2013, a Council for Enhancing the Competitiveness of Leading Russian Universities among Leading Global Research and Educational Centres was formed in accordance with a Resolution of the Russian Government. It is a permanent international advisory body established to discuss the development of leading Russian Universities.

As a result of two open tenders for government support, 21 leading Russian Universities participate in Project 5-100, including NUST MISiS.

In the course of this project, in April 2017, the Council held a meeting to review the achievements of the project in 2015–2016, and the plans for 2017.

In 2017, it carried out the strategic initiatives and objectives of NUST MISiS' Road Map (stage 3 for 2017). One of the key results of these initiatives was securing a position in international rankings.

In 2017, NUST MISiS:

- Demonstrated a significant improvement of rating in QS World University Rankings, 100 positions up year on year, joining the 501-550 group
- Improved its position in the THE World University Rankings, rising from the 801+ category to 601+
- Got 6 steps up in the QS Emerging Europe&Central Asia, EECA – from position 63 to 57
- Improved its result in the QS ranking of leading BRICS universities, from 87 to 61

## 2. Operating Environment of the University (Continued)

- Improved its result in QS Emerging Europe&Central Asia, EECA by "share of international students" ranked 11th (2016: 13th) and by the share of international students among all ranked universities (Nr. 3 among Russian Universities)
- Appeared in THE, QS and ARWU rankings by six subjects, becoming Nr. 31 in the QS World University Rankings by Subject in Engineering – Mineral&Mining, and in TOP 100 Shanghai Global Ranking of Academic Subjects in Metallurgical Engineering.
- Rose in the US News Best Global Universities ranking, becoming Nr. 220 in the world by materials science.

In accordance with the approved action plan, NUST MISiS should prepare financial statements in line with International Public Sector Accounting Standards for 2017.

## 3. Summary of Significant Accounting Policies

### 3.1 Basis of preparation

The financial statements for the year ended on 31 December 2017 were prepared in accordance with IPSAS. Where there were no specific requirements in IPSAS, we applied IFRS.

The principal accounting principles applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4 for new and amended standards adopted by the University).

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### 3.2 Associates

Associates are entities over which NUST MISiS has significant influence (directly or indirectly), but not control, generally accompanying a share of between 20 and 50 percent of the voting rights. Investments in associates are recorded using the equity method. Under the equity method, investments in associates are carried in the statement of financial position at cost plus NUST MISiS' share in the profit (loss) of the investees after their acquisition date.

Goodwill on the associates is included in the carrying value of investments.

The share in the financial result of associates is recorded in the Statement of Financial Performance. When changes are recognised directly in the net assets of associates, NUST MISiS recognises the corresponding share and discloses it in the Statement of Changes in Net Assets.

The share in the profit (loss) of associates represents profit or a loss after taxes and non-controlling interest in the subsidiaries of the associate.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.2 Associates (Continued)

The financial statements of associates are prepared for the same reporting period as the financial statements of NUST MISiS. If an associate uses accounting policies other than those approved by NUST MISiS for similar transactions and events which occurred in similar circumstances, then appropriate adjustments are made to ensure compliance of the associate's financial statements with the NUST MISiS accounting policies.

**Disposal of associates.** If NUST MISiS loses significant influence on its associate, it evaluates and recognises the remaining investments at fair value.

#### 3.3 Cash and cash equivalents.

NUST MISiS includes in cash: cash on hand, balances on accounts with the Russian Federal Treasury, and cash balances in bank accounts. Cash held at on demand bank accounts and other short-term highly liquid investments with original contractual maturities of three months or less are included in cash equivalents. Interim order cash (or restricted cash) is included in other assets. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement.

#### 3.4 Financial Assets

##### 3.4.1 Initial recognition and measurement

IPSAS 29 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: financial assets at fair value through profit or loss (FVPL); loans and receivables; investments held-to-maturity and financial assets held for sale. NUST MISiS classifies its financial assets upon their initial recognition.

NUST MISiS' financial assets include cash and receivables.

##### 3.4.2 Subsequent measurement

A financial asset's subsequent measurement depends on classification.

**Trade and other receivables.** Trade and other receivables are carried at amortised cost using the effective interest method less impairment losses. Impairment losses related to trade and other receivables are carried through income or expenses.

NUST MISiS receivables include:

- Payments for the use of its property
- Payments for its fee-based services, including educational services and R&D
- Subsidies for public engagements and other purposes
- Other payments.

### 3 Summary of Significant Accounting Policies (Continued)

#### 3.4 Financial assets (Continued)

##### 3.4.3 Impairment of financial assets

At each reporting date, NUST MISiS assesses the availability of objective indicators that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets are impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"); and such loss event has an impact on the estimated future cash flows on the financial asset or group of financial assets that can be reliably estimated.

The following criteria are used to determine whether there is objective evidence that an impairment loss has occurred:

- The debtor or a group of debtors experiences a significant financial difficulty
- Non-payment or delay in payment of interest and principal
- The University receives information suggesting a measurable reduction in expected future cash flows (for example, increased number of payment delays).

**Impairment of financial assets carried at amortised cost.** As regards financial assets carried at amortised cost, NUST MISiS initially assesses individually whether there is objective evidence of impairment of those financial assets which are significant. Those financial assets which are not significant are assessed collectively.

If NUST MISiS determines that there is no objective evidence of impairment of an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Individually assessed assets where an impairment loss has been recognised or continues to be recognised are not included in the group of assets for collective impairment assessment. If there are objective indications of impairment, the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected cash flows (which exclude future credit losses that have not been incurred). The present value of expected cash flows is determined inclusive of the initial effective interest rate on the financial asset. The carrying amount of the asset is reduced by impairment provision, and loss is recognised in income or expenses for the period. If receivables are uncollectable, they are written off against the related impairment provision.

##### 3.4.4 Derecognition of financial assets

NUST MISiS derecognises a financial asset or, if applicable, a part of financial asset, or a part of a group of similar financial assets when:

- the assets expire or the rights to cash flows from the assets are waived;
- NUST MISiS transfers a financial asset and the transfer meets the following derecognition criteria: (a) it transfers contractual rights to receive cash flows from the asset; or (b) NUST MISiS reserves contractual rights to receive cash flows from the asset while assuming contractual obligations to repay cash flows to one or several beneficiaries under the contract.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.5 Financial liabilities

##### 3.5.1 Initial recognition and measurement

Financial liabilities are classified under IPSAS 29 "Financial Instruments: Recognition and Management" as financial liabilities at fair value through surplus or deficit. NUST MISiS determines the classification of financial liabilities at initial recognition. All financial liabilities are initially recorded at fair value. NUST MISiS' financial liabilities include payables.

##### 3.5.2 Subsequent measurement

A financial liability's subsequent measurement depends on its classification.

**Trade and other payables.** Trade and other payables are accrued when the counterparty performed its contractual obligations and are carried at amortised cost using the effective interest method.

NUST MISiS payables include:

- Amounts payable for purchase of goods and services
- Amounts payable for purchase of property, plant and equipment
- Amounts payable for purchase of inventories
- Amounts payable for other expenses.

##### 3.5.3 Derecognition

Financial liabilities are derecognised when they are settled, cancelled or expired. If an existing financial liability is replaced by another liability to the same creditor on significantly different terms, such replacement or change is recorded as derecognition of the initial liability and recognition of a new liability. The difference between the carrying amount of the initial and new liability is recognised in the financial result for the period.

#### 3.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 3.7 Inventories

Inventories are initially recognised at their acquisition cost. Consequently, inventories are measured at the lower of their acquisition cost or net realisable value. Inventories received as a result of non-exchange transactions are carried at fair values at the acquisition (receipt) date. The cost of inventories released to production or otherwise disposed of is determined on the weighted average basis. The cost of any inventories that are usually non replaceable and/ or were purchased for specific purposes (e.g., for implementing a specific public or commercial order) is set individually. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling expenses. Inventories consumed in the ordinary course of NUST MISiS' business are recognised within expenses.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.8 Property, plant and equipment

An item of property, plant and equipment should be recognised within assets only if: (a) it is probable that the organisation will receive future economic benefits or value in use associated with this asset; and (b) the fixed asset cost or fair value can be reliably estimated.

**Initial recognition.** Property, plant and equipment received as a result of exchange transactions are initially recognised at the acquisition cost.

**Property, plant and equipment under operational management.** Property, plant and equipment include immovable, highly valuable movable and other movable property and land plots transferred to NUST MISiS for use in perpetuity, which the University manages to the extent allowed by law and in accordance with the University's purposes, the property's intended use and upon consent of the owner of the property.

In accordance with Federal Law No. 174-FZ of 3 November 2006 "On Autonomous Institutions", the owner of the property is the Russian Federation. Under Article 296 of the Russian Civil Code, the property owner can: remove any excessive, unused or inappropriately used property assigned to NUST MISiS or acquired by NUST MISiS from funds provided by the owner to purchase the property. The owner of the property removed from NUST MISiS can dispose of such property at its discretion. The property owner is not liable for the obligations of NUST MISiS.

Property, plant and equipment received from non-exchange transactions are initially measured at fair value at the date of obtaining control over the PPE. Property, plant and equipment received for operational management are recognised as assets in correspondence with income in the reporting period when the PPE were received (acquired).

At the date of the first-time adoption of IPSAS, the University decided to carry land plots at their cadastral value, which was adopted as deemed cost. Immovable property was carried at fair value. Fair value of the property, plant and equipment was adopted as deemed cost. Immovable property was assessed by a professional appraiser based on the replacement cost method.

Investments include buildings, structures and land plots transferred under investment contracts for construction purposes.

**Subsequent measurement.** Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss. Costs of minor repairs and maintenance are expensed when incurred. Property, plant and equipment modernisation costs are capitalised.

**Depreciation and useful lives of property, plant and equipment.** Depreciation is calculated using the straight-line method to allocate the assets' cost to their liquidation values over their estimated useful lives:

Residential buildings	20-67 years
Non-residential buildings	20-99 years
Machinery and equipment	1-30 years
Production and maintenance tools	1-30 years
Structures	5-40 years
Transport vehicles	5-10 years

### 3 Summary of Significant Accounting Policies (Continued)

#### 3.8 Property, Plant and Equipment (Continued)

Land plots and investments are not depreciated.

The liquidation value of an asset is the estimated amount that NUST MISiS would currently obtain from disposing of the asset, less estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' liquidation values and useful lives are revised and adjusted, if appropriate, at the end of each reporting period.

Depreciation starts when an asset is ready for use, i.e. when it is at the destination point and is in the condition suitable for use as intended by the management. When a PPE item is standing idle, or is not actively used, and is held for disposal, then depreciation is charged until the asset's residual value reaches its liquidation value.

**Derecognition.** NUST MISiS derecognises property, plant and equipment within assets upon disposal or when no future economic benefits or potential value in use are expected from their use or disposal.

Income or expenses arising on derecognising property, plant and equipment (defined as the difference between net proceeds from disposal, if any, and the carrying amount of the PPE item) is included in income or expenses for the reporting period.

#### 3.9 Advances issued for construction and acquisition of property, plant and equipment

Advances issued for construction and acquisition of property, plant and equipment represent prepayments to contractors in the form of advance payments for construction in progress and as advances for the acquisition of PPE. Advances issued for construction and acquisition of PPE are carried at fair value.

#### 3.10 Intangible Assets

**Initial recognition.** An intangible asset shall be recognised only when: (a) it is probable that the organisation will receive future economic benefits or value in use associated with this asset; and (b) the fixed asset cost or fair value can be reliably estimated.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets received from non-exchange transactions are initially recognised at fair value at the date of obtaining control over them.

**R&D costs.** The intangible asset, which is the result of scientific research, is not subject to recognition. Expenses incurred at the stage of scientific research shall be recognised as expenses when they are arise. The intangible asset, which is the result of development and design work, shall be recognised only when the entity can demonstrate that all of the following conditions are met: (a) bringing the intangible asset to a state suitable for usage or sale is technically feasible; (b) there is an intention to complete the intangible asset and use or sell it; (c) the intangible asset can be used or sold; (d) the entity can demonstrate how the asset will generate future economic benefits or value in use; (e) technical, financial and other resources are available to complete the development work and use or sell the intangible asset; and (f) it can reliably estimate any costs attributable to the intangible asset that were incurred in the course of its development.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.10 Intangible Assets (Continued)

The patents, software products, know-hows and the website developed by the University are capitalised in the amount of expenses incurred since the intangible asset first met the above criteria. The cost of an intangible asset developed by the University includes all direct expenses required to develop, produce and prepare the asset for use per management's intentions. The University shall not include in the cost any expenses that were recognised previously.

**Subsequent measurement.** All the intangible assets of NUST MISiS have limited useful lives. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

**Amortization and useful lives of intangible assets.** Intangible assets are amortised on a straight-line basis over their useful lives:

Patents	1-5 years
Software	1-5 years
Know-how	1-5 years
Internet website	1-5 years
Right to use education platforms	7 years

Amortisation starts once the asset is ready for use, i.e. when its location and condition make it possible to use the asset in accordance with management intentions. Amortisation is included in the financial result for the period.

**Derecognition.** NUST MISiS derecognises intangible assets within assets upon disposal or when no future economic benefits or potential value in use are expected from their use or disposal. Income or expenses arising on derecognition of intangible assets (defined as the difference between net proceeds from disposal and the carrying amount of the asset) is recognised in the financial result for the reporting period.

#### 3.11 Construction in progress

Construction in progress represents investments in construction in progress to be further used for the goals and objectives of NUST MISiS. Assets under construction are not depreciated. NUST MISiS' construction in progress includes but is not limited to assets under construction financed under the Federal Targeted Investment Programme (FTIP).

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.12 Impairment of non-financial assets

**Impairment of cash generating assets.** Cash generating assets are those assets that are held primarily for receiving income from commercial activities. At each reporting date, NUST MISiS assesses whether there is any indication of impairment. When such indication exists or when there is a requirement to perform annual asset impairment tests, NUST MISiS determines the asset's recoverable value. The recoverable value of an asset represents the higher of: 1) fair value of an asset or cash generating unit (CGU) less costs to sell and 2) its value in use. Recoverable value is determined individually for each asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount of the CGU that owns the asset is determined. If the recoverable value of an asset or CGU is lower than their carrying amounts, the carrying amount is reduced to the asset's recoverable value. Impairment losses are immediately charged to income or expenses for the period. In assessing value in use, the estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in the asset.

The fair value less costs to sell value is determined with reference to observable market deals (if any). If such deals cannot be identified, the fair value less costs to sell is determined based on the best available information. Impairment losses on continuing operations, including impairment of inventories are recognised in the statement of financial performance in the categories of expenses that reflect the nature of impaired assets. At each reporting date, the University determines whether there is any indication that previously recognised impairment losses have been reduced or no longer exist. If such indication exists, then NUST MISiS assesses the recoverable value of the asset or CGU. Previously recognised impairment losses are reversed only if there was a change in the estimates previously used to determine the recoverable value since the latest impairment loss recognition. The carrying amount of an asset increased by reversing impairment loss should not exceed the carrying amount that would be established (less amortisation), had the asset impairment loss not been recognised previously. The reversal of an asset impairment loss is recognised as a lumpsum in surplus or deficit.

**Impairment of non-financial assets not generating cash.** Assets not generating cash are such assets that are not attributable to cash generating assets. At each reporting date, NUST MISiS identifies all indications of potential impairment of non-financial assets. When such an indication is identified, NUST MISiS estimates the recoverable value in use. The recoverable value in use is the higher of its fair value (less costs to sell) and its value in use. If the carrying amount of an asset exceeds its recoverable value, the asset is considered impaired and its value is reduced to recoverable value. The difference is an impairment loss and is carried as a lumpsum within the current period financial result.

To measure an asset's value in use, NUST MISiS uses the depreciated replacement cost method. In accordance with this method, the asset's discounted remaining value in use is deemed equal to its depreciated replacement cost. The depreciated replacement cost is calculated as the difference between the cost of reproduction or replacement cost of an asset, whichever is lower, and accumulated depreciation determined based on such value, to reflect the asset's consumed or remaining value in use.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.12 Impairment of non-financial assets (Continued)

The fair value less costs to sell is determined based on the asset's price set in the binding sale agreement between independent, informed and willing parties, adjusted for additional costs directly attributable to the disposal of the asset. If the bidding sale agreement is not in place, but the asset is traded in a active market, then the fair value less costs to sell is the asset's market value less costs of disposal. In the absence of a binding sale agreement or active market for the asset, NUST MISiS determines the fair value less costs to sell based on the best available information.

At each reporting date, NUST MISiS determines whether there is any indication that an asset impairment loss recognised in previous periods no longer applies or has been reduced. When any such indication is found, NUST MISiS estimates the asset's recoverable value in use. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount since the latest impairment loss recognition . In such case, the asset's carrying amount should be increased to its recoverable value. Gain on the carrying amount of an asset attributable to reversed impairment loss should not exceed the carrying amount that would be established (less amortisation), should the asset impairment loss had not been previously recognised. The reversal of an asset impairment loss is recognised as a lumpsum in surplus or deficit.

#### 3.13 Provisions

Provisions are recognised, if NUST MISiS has current obligations (legal or constructive) as a result of certain events in the past and it is probable that an outflow of resources embodying economic benefits or value in use will be required to settle the liability, and a reliable estimate of the amount of the liability can be made. Where NUST MISiS expects that some or all amounts required to settle a provision will be received, e.g. under an insurance contract, such amount is recognised as a separate asset only if the University is certain that the amount will be received. Expenses attributable to provisions are recognised in the statement of financial performance less reversal.

**Contingent liabilities.** NUST MISiS does not recognise contingent liabilities, but discloses any contingent liability in the notes to the financial statements, if the likelihood of an outflow of resources embodying economic benefits or value in use is remote.

**Contingent assets.** NUST MISiS does not recognise contingent assets, but discloses information on contingent assets in the Notes to financial statements, when it is probable that the entity will receive future economic benefits or value in use associated with the asset. Contingent assets are periodically reviewed to ensure that relevant changes are appropriately reflected in the financial statements. If it is practically guaranteed that future economic benefits will be received or value in use will be created, and an asset can be reliably estimated, then the asset and respective income are recognised in the financial statements in the period when the change took place.

#### 3.14 Revenue from non-exchange transactions.

In the event of non-exchange transactions NUST MISiS receives resources for free or for a symbolic compensation. Resources received from non-exchange transactions (except for services-in-kind) that meet the asset's definition are recognised as an asset only when:

### 3 Summary of Significant Accounting Policies (Continued)

#### 3.14 Revenue from non-exchange transactions (Continued)

- (a) it is probable that as a result of using the resources, the organisation will receive future economic benefits or value in use (service potential); and
- (b) the asset's fair value can be measured reliably.

Resources received from a non-exchange transaction and recognised as an asset should be recognised as revenues to the extent such resources exceed the financial liability which is recognised against such resources. Any asset acquired through a non-exchange transaction is initially recognised at fair value at the acquisition date. Revenues from non-exchange transactions are calculated as a gain in net assets recognised by NUST MISiS. If NUST MISiS recognises an asset as a result of a non-exchange transaction, then it also recognises revenues equivalent to the asset measured under IPSAS 23 p. 42 "Revenue from Non-Exchange Transactions (Taxes and Transfers)", unless it also requires recognition of liability. The amount recognised as a liability should represent the best estimate of the amount necessary to meet the current obligation at the reporting date. The estimate should account for risks and uncertainties associated with the event resulting in liability recognition.

The main types of revenues from non-exchange transactions of NUST MISiS include:

**Subsidies for the development of the University** Subsidies for development represent public funds received by the University from its founder for no consideration to be used for the purposes provided in the contract (agreement) for subsidies.

The funding received by the University is spent to develop advanced education programmes and technologies, conduct research under Russian basic research support programme, as well as on international priorities in fundamental and applied research, building a modern infrastructure and governance system.

Subsidies for development of the University financed by subsidies for fulfilment of public engagements are recognised within revenue from non-exchange transactions at the date when the agreements were signed with the Russian Ministry of Education and Science.

Subsidies for development of the University financed by subsidies for other purposes are recognised within revenue from non-exchange transactions in the amount of expenses incurred as obligations stipulated in the related contract (agreement) are discharged.

**Budget appropriation under Federal Targeted Investment Program (FTIP)** Budgetary appropriations under FTIP are federal budget funds allocated for budgetary investments in accordance with the rules of investing in public property of the Russian Federation under FTIP. The budget appropriations are intended for investing in new construction, expansion, renovation and upgrade of the existing buildings and structures, purchase of machines, equipment, tools, fixtures, research and development and other expenses. The budget appropriations are recognised as revenues in the statement of financial performance for the reporting period in the amount of capital expenses incurred during the reporting period.

**Subsidies and donations for scholarships.** Budgetary funds received in the form of a subsidies for student scholarships, and other payments from budgets of all levels (including budgetary funding for fulfilling public obligations) or from legal entities that are subsequently allocated to payments to students, are recognised within revenues when the University accrues scholarships and other benefits to students. Personal scholarships are fully treated as revenue for the period.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.14 Revenue from non-exchange transactions (Continued)

**Donations for statutory activity.** To carry out its activities prescribed by the Charter, the University receives voluntary donations from legal entities and individuals, and subsidies from the budget of Moscow city. Donations are allocated to support the University's operation and development, carry out the educational process, and improve the material and technical base. The voluntary donations and subsidies received by the University during the reporting period are used in accordance with their contractual purposes and recognised within revenue for the period in full.

**Subsidies for fulfilment of public engagements spent on construction, renovation and acquisition of property, plant and equipment.** To finance public engagements, the University receives funding for construction, renovation and acquisition of property, plant and equipment. The conditions for such spending are set out in the agreement for public engagements so that the University does not bear responsibility for achieving the result of redecoration, renovation or acquisition of certain PPE items. The responsibility is limited by the University's powers in developing the infrastructure for creating favourable conditions for education and research. The resources received by the University under public engagements and intended for construction, renovation or acquisition of property, plant and equipment are recognised as revenue in full in the same period when they were received. These subsidies are part of subsidies for the development of the University.

**Other revenue from non-exchange transactions.** Other revenue from non-exchange transactions represents grant from Russian entities: Russian Science Foundation (RSF), Russian Foundation for Basic Research (RFBR) and other entities, provided directly to the University for public interest research. Revenue from RSF and RFBR grants is recognised when the terms of the funds transfer agreement are met.

#### 3.15 Revenue from exchange transactions.

Revenue from exchange transactions – in its exchange transactions, NUST MISiS receives assets from another entity against the direct delivery of consideration of approximately equal value.

The main types of revenues from the exchange transactions of NUST MISiS include:

**Research and development.** Research and development work is performed both in accordance with a public engagement and under agreements signed with various Ministries, government agencies and business communities. Research and development work is conducted under a public engagement covers the research subjects formulated in line with the priorities for science and technology development approved by the Russian Federation. Revenues from R&D services are recognised in the reporting period in which the services are rendered, by reference to the stage of completion of such transaction assessed on the basis of actual services provided, as a proportion of the total scope of services to be provided under the agreement. The proportion of services rendered is calculated by reference to the proportion of actual costs incurred under the agreement to total costs under the agreement. Revenues are presented net of VAT. Revenues are calculated based on the fair value of the consideration received or receivable.

**Educational services.** The educational activity is financed by government subsidies and tuition fees paid by individuals and legal entities.

- Recognition of revenue from the educational services financed by the state.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.15 Revenue from exchange transactions (Continued)

Revenues from educational services are recognised based on agreements signed with the Ministry of Education and Science of the Russian Federation. Revenues are calculated based on the fair value of the consideration received or receivable.

- Recognition of revenue from the educational services provided for a fee.

Revenues from fee-based educational services are recognised on a monthly basis, pro rata to the time of training in the reporting period, when the service was rendered. Revenues are measured based on the fair value of the consideration received or receivable.

**Rental revenue.** Rental revenue is recognised on a monthly basis and calculated based on the contractual rental rate and the duration of lease in days in the reporting period.

**Other services.** NUST MISiS provides the following other services for a fee:

- Accommodation in dormitories;
- Other types of services.

Revenues from other fee-based services are recognised in the reporting period in which the services are rendered, by reference to the stage of completion of such transaction assessed on the basis of actual services provided, as a proportion of the total scope of services to be provided under the agreement. Revenues are presented net of VAT. Revenues are measured based on the fair value of the consideration received or receivable.

**Reimbursement of the University's expenses related to assistance in project implementation under grants from the Russian Foundation for Basic Research (RFBR).** NUST MISiS is a party to a trilateral agreement between RFBR, the University and the grant recipient. The RFBR acts as a client under the trilateral agreement, and the recipient of the grant acts as a contractor. The University assists in the implementation of the project, effects payments under instructions from the recipient of the grant, and signs contracts with third parties. The trilateral agreement provides that the recipient of the grant can dispose of the cash (grant) credited to the University's account, including receiving all or part of funds as transfers to his or her personal account or in cash (depending on the entity's ability), instructing the University to sign supply or service contracts with third parties and make payments from the grant. The recipient of the grant reimburses the University's overhead expenses of no more than twenty percent of the grant amount. In this regard, the University nets off income gained and expenses incurred to ensure the financing of RFBR's grant recipient, and includes the revenue in the amount of reimbursements to the University. These revenues form part of revenues from other services.

#### 3.16 Employee benefits

**Short-term employee benefits.** Short-term employee benefits paid to NUST MISiS employees include salaries and mandatory social contributions, short-term paid leaves of absence, bonuses payable within 12 months after the end of the period in which employees provided related services, and benefits in-kind. Obligations related to short-term employee benefits are calculated less of discounts. Short-term employee benefits are recognised in the reporting period in which the services were provided by the employees.

### 3 Summary of Significant Accounting Policies (Continued)

#### 3.16 Employee benefits (continued)

**Post-employment benefits.** NUST MISiS does not have any legal or constructive obligations to pay pensions or similar benefits beyond social security charges.

#### 3.17 Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include:

- entities controlled by NUST MISiS directly or indirectly through one or more intermediaries;
- key management personnel of NUST MISiS and their close family members;
- entities on which NUST MISiS has a significant influence.

The endowment fund, namely the Special Fund for Gathering the Earmarked Capital of NUST MISiS is a related party. The fund was set up exclusively with the purpose of gathering earmarked capital and distributing it to NUST MISiS to support research and academic activities.

Government agencies are related parties, since they are under common control and transactions with them meet the definition of related party transactions. However disclosure of transactions between the University and government agencies is not mandatory under IPSAS 20 "Related Party Disclosures", as:

- the transactions are conducted as part of ordinary business between the parties;
- the transactions are conducted on the terms and conditions that are ordinary for similar transactions under these circumstances.

As at 31 December 2017 and 31 December 2016, the University's related parties included:

- President
- Rector
- Vice-rectors
- Members of the Supervisory Board
- Members of the Academic Council
- Endowment Fund
- Associates.

### **3 Summary of Significant Accounting Policies (Continued)**

#### **3.18 Income tax**

Article 251 "Income Not Treated as Deductible for Tax Purposes" of the Russian Tax Code provides that entities should not include earmarked proceeds in their tax base calculations (except for earmarked proceeds in the form of excisable goods). They include such earmarked proceeds to provide for non-commercial organisations and support their statutory activities that were provided gratuitously based on decisions by government agencies, local authorities and management bodies of state non-government funds, as well as earmarked proceeds from other organisations and/ or individuals and used by the recipients for the purpose intended. The taxpayers acting as recipients of the above earmarked proceeds are required to maintain separate accounting for income (expenses) received (incurred) as part of earmarked proceeds.

These requirements are met by NUST MISiS during the reporting period. Income taxes for 2017 and 2016 were assessed on income from fee-based educational services, scientific research conducted on a commercial basis and other commercial services.

The income tax charge/credit comprises current tax and deferred tax and is recognised in income or expenses for the year, except if it is recognised in other comprehensive income or in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or in equity.

Current tax is the amount expected to be paid to, or recovered from, the budget in respect of taxable income or expenses for the current and prior periods. Taxable income or expenses are calculated based on tax returns filed for the corresponding period. Taxes other than on income are recorded within expenses.

Deferred income tax is calculated using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Given that the larger part of the University's income and expenses is not included in income tax calculations, the tax base is determined for the assets and liabilities used in taxable activities. If any assets or liabilities are used both in taxable and tax-exempt activities, its tax base approximates the carrying amount shown in the financial statements, as it is difficult to reliably estimate the percentage of the asset or liability to be used in the taxable activity.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

#### **3.19 Value added tax**

Output value added tax (VAT) payable and VAT recoverable from the budget is recognised in the statement of financial position on a gross basis within assets and liabilities. Where provision has been made for the impairment of receivables, the impairment loss is recorded in the full amount of receivable, including VAT.

### 3. Summary of Significant Accounting Policies (Continued)

#### 3.20 Segment reporting

A segment is a separate activity or several types of activities conducted by an organisation, for which it is reasonable to present financial information to:

- estimate the performance of the organisation in the past to achieve its goals; and
- make decisions on the future allocation of resources.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which separate financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Rector of NUST MISiS and branch directors.

The segment accounting policy is consistent with the policies adopted for preparing financial statements under IPSAS.

#### 3.21 Statement of comparison of budget and actual amounts arising from budget implementation

NUST MISiS Financial and Business Plan (hereinafter, the "Budget") is developed using the cash method, based on principles other than IPSAS. The financial statements of NUST MISiS are prepared using the accrual method and the classification based on the nature of expenses presented in the statement of financial performance. The approved budget covers the reporting period from 1 January 2017 to 31 December 2017 and all the branches of NUST MISiS.

Budget classification methods include classifications by the following categories:

1. By sources of funding:
  - (i) Subsidies for implementing the public engagement
  - (ii) Earmarked subsidies (subsidies for other purposes)
  - (iii) Budget investments
  - (iv) Proceeds from income-generating activities
2. By income and expense items of the Classification of public sector transactions.

The key parameters of NUST MISiS budget are set for the next calendar year and the planning period of the consequent two years. The initial budget represents the budget initially approved for the budget period. The final budget represents the final budget approved for the budget period. Final budget amounts differ from initial budget amounts both due to the reclassification between income and expense items, and due to changes in the planned income and expenses, for example, changes in the volume of funding from the state or the conclusion of new agreements for fee-based services.

The actual amounts represent the University's cash flows, including all the branches. The difference between the final budget amounts and actual amounts arises from balances of unused funds at the beginning of the period.

#### 4. New Accounting Pronouncements

The following IPSAS standards have become mandatory for annual periods beginning on 1 January 2017:

- IPSAS 33, First-time Adoption of Accrual Basis IPSASs;
- IPSAS 34, Separate Financial Statements;
- IPSAS 35, Consolidated Financial Statements;
- IPSAS 36, Investments in Associates and Joint Ventures;
- IPSAS 37, Joint Arrangements;
- IPSAS 38, Disclosure of Interests in Other Entities.

The University early adopted IPSAS 33 for all periods, since the first-time adoption of IPSAS. IPSAS 35, 37 and 38 are not applicable to the University. The adoption of IPSAS 34 and IPSAS 36 didn't have a significant impact on the University's financial statements.

On 1 January 2017, amendments were made to IPSAS 32, Service Concession Arrangements: Grantor, paragraphs 35 and 37, directly associated with IPSAS 33 coming into force. The amendments are not applicable to the University.

New standards have been published: IPSAS 39, Employee Benefits, and IPSAS 40, Public Sector Combinations, that are mandatory for the University for the annual periods beginning on 1 January 2018 and 1 January 2019, respectively. Neither of the standards was early adopted by the University.

At the moment, the University is assessing the impact of IPSAS 39 on its financial statements. IPSAS 40 is not applicable to the University.

#### 5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

NUST MISiS makes estimates and assumptions that affect the amounts recognised in the financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually assessed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimates, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Going concern.** Management prepared these financial statements on a going concern basis. In making this judgement management considered the NUST MISiS's financial position, current plans and expected budget financing.

## 5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

**Useful lives of property, plant and equipment.** The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits or value in use embodied in the assets are consumed principally through their use. However, other factors, such as technical obsolescence and wear and tear of equipment, often result in the diminution in the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits or value in use for NUST MISiS. The following primary factors are considered: (a) the assets' life expectancy; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence of equipment.

If the useful lives of the University's assets increase by one year, depreciation charges will decline by RUB 55 million (2016: RUB 110 million). If the useful lives of the University's assets decrease by one year, depreciation charges will increase by RUB 79 million (2016: RUB 160 million).

**Valuation of land plots.** Land plots under unlimited use were assessed at the cadastral value at the IPSAS adoption date, since the cadastral value approximated the fair value.

The judgement is based on the fact that the cadastral valuation of the land plots is based on their classification by reference to their intended use and type of functional use. The appraisers engaged by the Russian State Register determine the per unit indicator of the cadastral value for each quarter and by each permitted type of use based on the information about the average market value for the land plots of certain types of use in a specific quarter, and by reference to average market value indicators for immovable property located on the land plots. So, by virtue of the legislation in effect, the unit value based on cadastral value is positioned by current legislation as the averaged indicator of the market value of one square metre of a land plot with a specific permitted use.

**Property under operational management recorded on the University's balance sheet.** For the University to perform its core activities, the Russian Federation assigned to the University certain property and land plots used under operational management. Operational management qualifies the University for holding (using) immovable property and highly valuable movable property ("HVP") without the right to dispose of it. The right of full disposal of immovable property and HVP (including their removal) is retained by the Russian Federation. The Russian Federation can dispose of any property removed from the University at its discretion.

Property and land plots have a potential value that is used to perform the University's statutory activities. Since the University controls the future potential benefit from the use of the property and land plots, it would be reasonable to record the property under operational management and the land plots under unlimited use as assets on the University's balance sheet.

**Obligations to the founder recognised on a separate line item, Balances and Transactions with the Founder** Balances and transactions with the founder are represented by immovable and highly valuable movable assets, land plots under unlimited use and construction in progress.

## **5. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)**

Highly valuable movable assets are movable assets worth more than RUB 500 thousand acquired from state sources of financing.

As construction in progress will be transferred to property under operational management upon completion of construction, its value gives rise to the liability to the founder.

Additions of property under operational management and land plots under unlimited use can occur in two ways and are accounted as follows:

- (i) Acquisition or construction of property transferred to operational management financed by the Russian Federation is a non-exchange transaction and thus, such financing is initially recorded within income in the amount equal to the value of property under operational management acquired or built using the funds of the Russian Federation and is consequently transferred to balances and transactions with the founder.
- (ii) The property and land plots under unlimited use that were transferred by the Russian Federation to enable NUST MISiS to conduct its core activities represent the founder's contribution and are recorded within balances and transactions with the founder, and no income is recognised.

## **6. Changes in Presentation.**

Since 1 January 2017, the Statement of Cash Flows is prepared using a direct method. The University believes that using a direct method to prepare the Statement of Cash Flows helps to provide more reliable and appropriate information about the impact of transactions, other events and conditions on the cash flows of NUST MISiS. In accordance with IPSAS 1, the change was made retrospectively, and the comparative data for the Statement of Cash Flows for the year ended 31 December 2016 were also provided using a direct method. There is no impact of the change in the presentation method on the final figures in the Statement of Cash Flows.

## **7. Segment Information**

For management purposes, NUST MISiS has been divided into business units (branches) based on their geographic location.

NUST MISiS is engaged in educational activities under main and additional professional education programmes of secondary vocational education and higher education, postgraduate professional education, additional professional education and additional general education programmes in the following areas: metallurgy, physics, electric power and electric engineering, mining, nanotechnology and microchips, applied mathematics, etc.

Stary Oskol Institute of Technology, a branch of NUST MISiS, offers higher educational services in the following areas: metallurgy, mining, construction, heat engineering, electrical engineering, applied informatics, etc.; secondary vocational education in the following areas: ferrous metallurgy, machine-building technology, metal forming, etc.

Novotroitsk Branch of NUST MISiS offers higher education services in metallurgy, process equipment, electrical engineering, chemical technologies, etc.

## 7. Segment Information (Continued)

Vyksa Branch of NUST MISiS offers higher education services in metallurgy, materials science and engineering, as well as secondary vocational education in IT, metal forming, installation and operation of industrial equipment.

In addition to educational activities, the institute is engaged in extensive research and development. The key scientific areas in NUST MISiS are:

- Materials science and engineering
- Metallurgy and mining
- Nanotechnologies
- Information technology
- Biomedicine.

The following two reportable segments are presented for financial reporting purposes: NUST MISiS Moscow and Stary Oskol Institute of Technology (a branch of NUST MISiS Branch).

NUST MISiS management monitors the operating results of each segment in order to allocate resources and assess segment performance.

In addition, NUST MISiS management identifies a separate category of "Other segments", where it discloses information about the following branches: Vyksa Branch of NUST MISiS; Dushanbe Branch of NUST MISiS; Novotroitsk Branch of NUST MISiS and Abkhazian Branch of NUST MISiS.

Deferred tax assets are recognised within other segments.

### **Income by segment**

	<b>Moscow</b>	<b>Stary Oskol</b>	<b>Other</b>	<b>Total</b>
Segment revenue under IPSAS for 2017	5,890,429	312,317	175,827	<b>6,378,573</b>
Segment revenue under IPSAS for 2016	6,359,082	274,981	151,643	<b>6,785,706</b>

### **Segment deficit**

	<b>Moscow</b>	<b>Stary Oskol</b>	<b>Other</b>	<b>Total</b>
Segment deficit under IPSAS for 2017	(208,462)	(5,674)	(124)	<b>(214,260)</b>
Segment deficit under IPSAS for 2016	(163,605)	(3,731)	(67,557)	<b>(234,893)</b>

### **Capital expenditure**

	<b>Moscow</b>	<b>Stary Oskol</b>	<b>Other</b>	<b>Total</b>
Capital expenditures for the year ended 31 December 2017	595,469	196,324	2,231	<b>794,024</b>
Capital expenditures for the year ended 31 December 2016	751,982	243,850	6,051	<b>1,001,883</b>

## 7. Segment Information (Continued)

Capital expenditures represent additions of non-current assets, other than the non-current assets and investments in associates.

### Segment assets and liabilities

31 December 2017	Moscow	Stary Oskol	Other	Total
Non-current assets	23,604,923	985,485	328,288	<b>24,918,696</b>
Current assets	1,589,260	52,912	24,836	<b>1,667,008</b>
<b>Total assets</b>	<b>25,194,183</b>	<b>1,038,397</b>	<b>353,124</b>	<b>26,585,704</b>
Current liabilities	1,251,266	42,749	7,494	<b>1,301,509</b>
<b>Total net assets</b>	<b>23,942,917</b>	<b>995,648</b>	<b>345,630</b>	<b>25,284,195</b>

31 December 2016	Moscow	Stary Oskol	Other	Total
Non-current assets	23,784,793	803,340	334,295	<b>24,922,428</b>
Current assets	1,741,791	73,881	11,650	<b>1,827,322</b>
<b>Total assets</b>	<b>25,526,584</b>	<b>877,221</b>	<b>345,945</b>	<b>26,749,750</b>
Current liabilities	1,353,593	52,223	22,931	<b>1,428,747</b>
<b>Total net assets</b>	<b>24,172,991</b>	<b>824,998</b>	<b>323,014</b>	<b>25,321,003</b>

## 8. Cash and Cash Equivalents

Cash and cash equivalents comprise cash held on current accounts in the Russian Federal Treasury, bank account balances and cash on hand. Cash and cash equivalents included in the Statement of Cash Flows cover the following amounts from the Statement of Financial Position:

	31 December 2017	31 December 2016
Settlement accounts	708,296	812,232
Current accounts in the Russian Federal Treasury	651,345	711,902
Deposits placed for less than three months	43,000	49,000
Cash on hand	386	770
<b>Total cash and cash equivalents</b>	<b>1,403,027</b>	<b>1,573,904</b>

At 31 December 2017 and 31 December 2016, the deposit accounts with PAO Gazprombank and PAO Alfa-Bank contained RUB 43,000 thousand and RUB 49,000 thousand, respectively. These deposits are classified as cash equivalents, since they mature in less than three months. Interest income on deposits open as at 31 December 2017 and 31 December 2016 was accrued at rates ranging from 6.7% to 6.75% and from 7.4% to 8% per annum, respectively.

Cash and cash equivalents are placed in the following currencies:

## 8 Cash and Cash Equivalents (Continued)

	31 December 2017	31 December 2016
Russian roubles	1,118,396	1,339,817
US Dollars	265,559	223,791
Euro	19,072	10,296
<b>Total</b>	<b>1,403,027</b>	<b>1,573,904</b>

At 31 December 2017 and 31 December 2016, the credit quality of cash and cash equivalents balances may be summarised based on Fitch ratings as follows:

	31 December 2017			31 December 2016		
	Bank balances payable on demand	Balances on accounts with the Treasury	Term deposits	Balances on accounts with the Treasury	Balances on accounts with the Treasury	Term deposits
<i>Rating at the reporting date</i>						
BB+ rated	699,035	-	43,000	807,118	-	49,000
BBB- rated	-	651,345	-	-	711,902	-
Unrated	9,261	-	-	5,114	-	-
<b>Total</b>	<b>708,296</b>	<b>651,345</b>	<b>43,000</b>	<b>812,232</b>	<b>711,902</b>	<b>49,000</b>

As regards cash in current accounts with the Treasury, Fitch assigned long-term Issuer Default Rating (BBB-) to the Russian Federation.

## 9. Receivables and Prepayments

	31 December 2017	31 December 2016
Trade receivables	224,325	233,562
Other financial receivables	5,706	19,318
Impairment provision for receivables	(90,701)	(96,955)
<b>Total financial receivables</b>	<b>139,330</b>	<b>155,925</b>
Advances to suppliers and contractors	52,451	17,095
Salary advances	993	1,017
Provision for impairment of advances issued	(1,281)	(582)
Other	318	351
<b>Total non-financial receivables</b>	<b>52,481</b>	<b>17,881</b>
<b>Total receivables and prepayments</b>	<b>191,811</b>	<b>173,806</b>

## 9. Receivables and Prepayments (Continued)

Receivables are denominated in Russian Roubles. The bulk of financial receivables represent income receivable from fee-based services and from property. At 31 December 2017, other financial receivables did not include deposits placed for more than three months. At 31 December 2016, other financial receivables included deposits of RUB 10,736 thousand placed for more than three months with OAO Alfa-Bank. At 31 December 2016, interest rates on deposits with OAO Alfa-Bank ranged between 7.75% and 8% per annum.

Analysis by credit quality of trade and other receivables is as follows:

	31 December 2017		31 December 2016	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Neither past due nor impaired:</i>				
- Government	1,518	3,144	1,896	2
- Commercial entities and individuals	132,820	1,848	135,831	18,196
<b>Total neither past due nor impaired</b>	<b>134,338</b>	<b>4,992</b>	<b>137,727</b>	<b>18,198</b>
<i>Individually impaired</i>				
- over 360 days overdue	89,987	714	95,835	1,120
<b>Total individually impaired</b>	<b>89,987</b>	<b>714</b>	<b>95,835</b>	<b>1,120</b>
<b>Less impairment provision</b>	<b>(89,987)</b>	<b>(714)</b>	<b>(95,835)</b>	<b>(1,120)</b>
<b>Total</b>	<b>134,338</b>	<b>4,992</b>	<b>137,727</b>	<b>18,198</b>

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
<b>Carrying amount at 1 January</b>	<b>96,955</b>	<b>99,654</b>
Increase in provision charged to income or expenses	14,077	11,440
Usage of provision	(16,932)	(9,532)
Release of provision	(3,399)	(4,607)
<b>Carrying amount at 31 December</b>	<b>90,701</b>	<b>96,955</b>

## 10. Non-Current Assets to be Returned to Founder

As at 31 December 2017 and 31 December 2016, the Statement of Financial Position reflected non-current assets to be returned to founder, in accordance with the latter's instructions. The balance sheet amount of non-current assets to be returned to founder was RUB 12,152 thousand at both reporting dates, and represents the value of the residential building at 26/1 Malysheva Street, Moscow.

## **11. Other Assets and Liabilities**

Included in other assets and liabilities is cash received as security for procurement tenders (auctions) from the participants, and also as security for the performance of contracts signed as a result of competitive procurement tenders. The cash is temporarily at the University's disposal and should be refunded to the tender participants as follows: security for procurement tenders (auctions) – upon completion of the tender process, and performance security for the contracts signed – upon the fulfilment of contractual obligations. At 31 December 2017, NUST MISiS had RUB 11,946 thousand at its temporary disposal (31 December 2016: RUB 23,364 thousand, including funding from RFBR of RUB 7,200 thousand to be distributed to grant recipients in 2017).

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology MISiS  
Notes to the Financial Statements for the year ended 31 December 2017  
(in thousands of Russian roubles)**

**12. Property, Plant and Equipment**

Movements in the carrying amount of property, plant and equipment were as follows:

For the year ended 31 December 2017	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Assets under construction	Total
<b>Initial value</b>									
At the beginning of the period	11,746,660	4,609,083	5,763,086	4,158,057	178,379	16,115	31,627	1,087,010	27,590,017
Acquisitions	62,798	17,764	107,379	203,412	25,896	-	4,379	372,396	794,024
Reclassification from investments (Note 14)	241,896	-	-	-	-	-	-	-	241,896
Disposals (-)	-	-	(4,810)	(13,754)	(1,195)	-	-	-	(19,759)
At the end of the period	12,051,354	4,626,847	5,865,655	4,347,715	203,080	16,115	36,006	1,459,406	28,606,178
<b>Depreciation and amortisation</b>									
At the beginning of the period	-	(278,726)	(421,008)	(2,324,734)	(113,317)	(2,368)	(26,446)	-	(3,166,599)
Accruals	-	(101,069)	(135,753)	(419,170)	(18,845)	(859)	(2,722)	-	(678,418)
Disposal of depreciation (+)	-	-	2,180	12,600	1,172	-	-	-	15,952
At the end of the period	-	(379,795)	(554,581)	(2,731,304)	(130,990)	(3,227)	(29,168)	-	(3,829,065)
<b>Balance</b>									
At the beginning of the period	11,746,660	4,330,357	5,342,078	1,833,323	65,062	13,747	5,181	1,087,010	24,423,418
At the end of the period	12,051,354	4,247,052	5,311,074	1,616,411	72,090	12,888	6,838	1,459,406	24,777,113

Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology MISiS  
Notes to the Financial Statements for the year ended 31 December 2017  
(in thousands of Russian roubles)

12. Property, Plant and Equipment (Continued)

For the year ended 31 December 2016	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Assets under construction	Total
<b>Initial cost</b>									
At the beginning of the period	11,416,389	4,609,083	5,551,081	3,676,954	164,791	16,115	29,238	845,121	26,308,772
Acquisitions	52,602	-	194,268	493,156	1,947	-	2,413	257,497	1,001,883
Reclassification from investments (Note 14)	277,669	-	15,600	-	-	-	-	-	293,269
Disposals (-)	-	-	-	(12,053)	(1,830)	-	(24)	-	(13,907)
FTIP transfer to the main balance sheet	-	-	-	-	11,142	-	-	(11,142)	-
Transfers from CIP	-	-	2,137	-	2,329	-	-	(4,466)	-
At the end of the period	<b>11,746,660</b>	<b>4,609,083</b>	<b>5,763,086</b>	<b>4,158,057</b>	<b>178,379</b>	<b>16,115</b>	<b>31,627</b>	<b>1,087,010</b>	<b>27,590,017</b>
<b>Depreciation</b>									
At the beginning of the period	-	(179,738)	(292,966)	(1,935,943)	(100,606)	(1,611)	(24,217)	-	(2,535,081)
Accruals	-	(98,988)	(128,042)	(400,666)	(14,536)	(757)	(2,252)	-	(645,241)
Disposal of depreciation (+)	-	-	-	11,875	1,825	-	23	-	13,723
At the end of the period	-	<b>(278,726)</b>	<b>(421,008)</b>	<b>(2,324,734)</b>	<b>(113,317)</b>	<b>(2,368)</b>	<b>(26,446)</b>	-	<b>(3,166,599)</b>
<b>Balance</b>									
At the beginning of the period	11,416,389	4,429,345	5,258,115	1,741,011	64,185	14,504	5,021	845,121	23,773,691
At the end of the period	11,746,660	4,330,357	5,342,078	1,833,323	65,062	13,747	5,181	1,087,010	24,423,418

## 12. Property, Plant and Equipment (Continued)

**Construction in progress.** Construction in progress includes construction and reconstruction of property, plant and equipment. The bulk of construction and reconstruction projects are financed from FTIP (reconstruction of dormitory in Stary Oskol).

**Additions to property, plant and equipment.** Following transformation of Gubkin Branch of Moscow State University of Mechanical Engineering (MAMI) into Stary Oskol Branch of NUST MISiS in 2017, the University sold 3 non-residential buildings with a fair value of RUB 114,653 thousand and 3 land plot with a total cadastral value of RUB 62,798 thousand.

**Amounts capitalised in 2017, by group of property, plant and equipment, after reconstruction.** In the reporting period, NUST MISiS reconstructed 3 items of property, plant and equipment. The Construction in Progress group represents reconstruction of dormitory in Stary Oskol in the amount of RUB 262,011 thousand, that was financed by FTIP in the amounts of RUB 259,750 thousand. And the Plant and Equipment group in Moscow includes a suction casting system of RUB 103,853 thousand and other items of RUB 6,532 thousand.

## 13. Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

For the year ended 31 December 2017	Patents	Software	Know- how	Computer software licences	Right to use educational platforms	R&D in progress	Total
<b>Initial value</b>							
<b>At the beginning of the period</b>	<b>16,952</b>	<b>4,215</b>	<b>7,246</b>	<b>39,686</b>	<b>40,000</b>	<b>26,024</b>	<b>134,123</b>
Acquisitions	311	33	7,815	10,317	-	2,820	21,296
Disposals	(4,860)	-	-	-	-	-	(4,860)
Transfers from CIP	15,800	-	-	-	-	(15,800)	-
<b>At the end of the period</b>	<b>28,203</b>	<b>4,248</b>	<b>15,061</b>	<b>50,003</b>	<b>40,000</b>	<b>13,044</b>	<b>150,559</b>
<b>Amortisation</b>							
<b>At the beginning of the period</b>	<b>(2,787)</b>	<b>(1,435)</b>	<b>(4,035)</b>	<b>(16,164)</b>	<b>(5,714)</b>	-	<b>(30,135)</b>
Accruals	(2,151)	(328)	(950)	(14,645)	(5,714)	-	(23,788)
Disposal of amortisation	2,755	-	-	-	-	-	2,755
<b>At the end of the period</b>	<b>(2,183)</b>	<b>(1,763)</b>	<b>(4,985)</b>	<b>(30,809)</b>	<b>(11,428)</b>	-	<b>(51,168)</b>
<b>Balance</b>							
<b>At the beginning of the period</b>	<b>14,165</b>	<b>2,780</b>	<b>3,211</b>	<b>23,522</b>	<b>34,286</b>	<b>26,024</b>	<b>103,988</b>
<b>At the end of the period</b>	<b>26,020</b>	<b>2,485</b>	<b>10,076</b>	<b>19,194</b>	<b>28,572</b>	<b>13,044</b>	<b>99,391</b>

### 13. Intangible Assets (Continued)

For the year ended 31 December 2016	Patents	Software	Know- how	Computer software licences	Right to use educational platforms	R&D in progress	Total
<b>Initial value</b>							
<b>At the beginning of the period</b>	<b>4,488</b>	<b>4,096</b>	<b>7,246</b>	<b>27,283</b>	-	<b>22,622</b>	<b>65,735</b>
Acquisitions	-	119	-	12,403	40,000	3,999	<b>56,521</b>
Transfers from CIP	12,464	-	-	-	-	(597)	<b>11,867</b>
<b>At the end of the period</b>	<b>16,952</b>	<b>4,215</b>	<b>7,246</b>	<b>39,686</b>	<b>40,000</b>	<b>26,024</b>	<b>134,123</b>
<b>Amortisation</b>							
At the beginning of the period	(1,650)	(1,020)	(3,222)	(7,024)	-	-	<b>(12,916)</b>
Accruals	(1,137)	(415)	(813)	(9,140)	(5,714)	-	<b>(17,219)</b>
<b>At the end of the period</b>	<b>(2,787)</b>	<b>(1,435)</b>	<b>(4,035)</b>	<b>(16,164)</b>	<b>(5,714)</b>	-	<b>(30,135)</b>
<b>Balance</b>							
At the beginning of the period	2,838	3,076	4,024	20,259	-	22,622	<b>52,819</b>
At the end of the period	14,165	2,780	3,211	23,522	34,286	26,024	<b>103,988</b>

All the groups of intangible assets except for software licenses were developed by the University.

Intangible asset groups are represented by:

Know-how – any information (inventions, original technology, knowledge and skills) that is protected by trade secret and can be subject to purchase and sale or may be used to achieve a competitive advantage

Patent – a protection document certifying an exclusive right, authorship and priority of an invention, utility model or industrial prototype

Software product – software designed for a specific group of consumers and used by NUST MISiS to carry out research and development per specifications based on client requirements

Computer software licenses – non-exclusive rights acquired to use certain software products specified in the licence agreement.

Right to use education platforms – right to use the Open Education platform. The University is using this right to publish its proprietary training materials to improve availability and quality of the University's educational programmes.

The cost of intangible assets developed by the University comprises costs related to the registration of title to any intangible asset developed.

**R&D in progress.** R&D in progress mostly represents the capitalised cost of obtaining patents and international registration of patents in the amount of RUB 4,869 thousand and the cost of updating NUST MISiS website of RUB 8,174 thousand.

#### 14. Investments

The University has been reorganised through merger with Moscow State Mining University (MGGU) that became the University's structural unit in 2014. MGGU had non-current assets that were released under investment contracts for construction of new academic and administrative buildings.

In NUST MISiS financial statements, the cost of investments is measured at the fair value of buildings, structures and land plots transferred under investment contracts. The fair value of land plots transferred under investment contracts was RUB 519,565 thousand. The fair value of buildings and structures transferred under investment contracts was RUB 15,600 thousand. Following the court ruling to terminate the investment contract with OOO CentrestroyService in 2016, a certain part of investments within the land plot of RUB 277,669 thousand and non-residential buildings of RUB 15,600 thousand was reclassified to property, plant and equipment. In 2017, the court ruled to terminate the investment contract with OOO RealtService, after which the remaining part of land plots of RUB 241,896 thousand was reclassified from investments to property, plant and equipment.

#### 15. Significant Non-Cash Investment Transactions

Investing transactions that did not require the use of cash and cash equivalents and were excluded from the Statement of Cash Flows are as follows:

	2017	2016
Acquisition of property, plant and equipment under FTIP	294,890	239,025

#### 16. Trade and Other Payables

	31 December 2017	31 December 2016
Trade payables	74,245	196,560
<b>Total financial payables</b>	<b>74,245</b>	<b>196,560</b>
Payroll payable	225,967	221,573
<b>Total non-financial payables</b>	<b>225,967</b>	<b>221,573</b>
<b>Total trade and other payables</b>	<b>300,212</b>	<b>418,133</b>

Payables are denominated in Russian Roubles.

Financial payables comprise property maintenance services, utility costs and other works and services. The bulk of payables for other works and services represents amounts that will be paid from funding under government contracts, in accordance with contractual conditions.

Salaries payable include provisions for future vacations and bonuses for Departments' performance in 2017, payable within 12 months after the reporting date, in the amount of RUB 223,512 thousand and RUB 221,078 thousand as at 31 December 2017 and 31 December 2016, respectively.

## 17. Taxation

	31 December 2017	31 December 2016
Value-added tax	31,384	29,702
Property tax and land tax	17,897	37,235
Personal income tax	16,771	-
Other taxes	77,370	58,102
<b>Total taxation</b>	<b>143,422</b>	<b>125,039</b>

Other taxes payable include liabilities accrued on social security contributions in connection with the recognition of liabilities for bonuses and future vacations payable within twelve months after the reporting date of RUB 57,095 thousand and RUB 58,027 thousand at 31 December 2017 and 31 December 2016, respectively.

## 18. Advances Received for Non-Exchange Transactions

	31 December 2017	31 December 2016
<b>Advances received for non-exchange transactions</b>		
Competitive growth programme	195,290	351,554
Subsidies received to pay scholarships	1,475	247
Grants from the Russian Foundation for Basic Research	710	-
Other subsidies for other purposes	1,474	30,014
<b>Total advances received from non-exchange transactions</b>	<b>198,949</b>	<b>381,815</b>

Payables under subsidies for competitiveness enhancement programmes represent advances received for Project 5-100. The subsidies are included in the income for the reporting period in the amount of approved expenses as they are incurred. Balances unused in the current year are blocked in the account of NUST MISiS and can be used over the next reporting period for the same purposes upon approval by the Ministry of Education and Science of Russian Federation. Subsidies for other purposes represent mostly subsidies for the acquisition of property, plant and equipment.

## 19. Advances Received for Exchange Transactions

	31 December 2017	31 December 2016
<b>Advances received for exchange transactions</b>		
Advances received on income from fee-based work and services	340,160	196,699
Advances received on gains generated by property	47,334	8,473
Advances received on other income	1,486	3
<b>Total advances received for exchange transactions</b>	<b>388,980</b>	<b>205,175</b>

Included in the advances received on property gains are liabilities to the lessees of the premises under the University's operational management.

## 20. Provisions for Liabilities and Charges

Changes in the provisions for liabilities and charges are represented by provisions for legal claims and are disclosed below:

	2017	2016
<b>Carrying amount at 1 January</b>	<b>258,000</b>	<b>279,568</b>
Release of provision	-	(21,568)
<b>Carrying amount at 31 December</b>	<b>258,000</b>	<b>258,000</b>

All of the above provisions have been classified as current liabilities because NUST MISiS does not have an unconditional right to defer settlement beyond one year after the reporting date.

**Legal claims.** The provision for legal claims received after the merger with MGGU in the amount of RUB 258,000 thousand relates to a potential claim from OOO RealtService to NUST MISiS due to the termination of investment contract signed by MGGU before the merger.

The provision for legal claims in the amount of RUB 21,568 thousand was accrued in 2015, and related to the claims to NUST MISiS from OOO CentrestroyService due to the termination of investment contract between MGGU and OOO CentrestroyService. In 2016, the University won the case and released the provision.

## 21. Balances and Transactions with the Founder

Below is the reconciliation of movements in property, plant and equipment under operational management and construction in progress for the property, plant and equipment that generate balances and transactions with the founder:

	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>Initial cost</b>		
<b>At the beginning of the period</b>	<b>26,327,407</b>	<b>25,107,196</b>
Additions to property, plant and equipment	669,490	926,942
Reclassification from investments (Note 14)	241,896	293,269
Disposals	(4,809)	-
Reclassification	900	-
<b>At the end of the period</b>	<b>27,234,884</b>	<b>26,327,407</b>

**21. Balances and Transactions with the Founder (Continued)**

	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>Depreciation</b>		
At the beginning of the period	(2,459,187)	(1,969,101)
Accruals	(514,246)	(490,086)
Disposal of depreciation	1,437	-
<b>At the end of the period</b>	<b>(2,971,996)</b>	<b>(2,459,187)</b>
<b>Balance</b>		
At the beginning of the period	<b>23,868,220</b>	<b>23,138,095</b>
At the end of the period	<b>24,262,888</b>	<b>23,868,220</b>

The table below contains details of line item "Additions to property, plant and equipment":

	For the year ended 31 December 2017	For the year ended 31 December 2016
Highly valuable moveable property including:	114,974	422,575
Plant and equipment	104,714	417,091
Assets under construction	366,575	257,497
Buildings and structures	125,143	194,268
Land plots	62,798	52,602
<b>Total additions to property, plant and equipment</b>	<b>669,490</b>	<b>926,942</b>

**22. Revenue from Educational Services**

	2017	2016
Educational services provided as part of public engagement		
Fee-based educational services	546,079	528,686
Other subsidies for educational activities	-	675
<b>Total revenue from educational services</b>	<b>2,385,509</b>	<b>2,129,304</b>

### 23. Revenue from Research and Development Work

	2017	2016
R&D work under public engagement	855,914	1,043,322
Research and development services	585,176	775,387
Grants to leading scientists	29,292	61,871
Support to young scientists	2,512	1,800
Grants to leading schools of sciences	1,911	1,868
<b>Total revenue from research and development work</b>	<b>1,474,805</b>	<b>1,884,248</b>

### 24. Subsidies for the Development of the University

	2017	2016
Subsidies under the Competitiveness Enhancement Programme (Project 5-100)	1,005,492	856,978
Subsidies for capital repair and upgrade	-	400,000
Subsidies for the acquisition of property, plant and equipment	30,050	100
<b>Total subsidies for the development of the University</b>	<b>1,035,542</b>	<b>1,257,078</b>

### 25. Subsidies and Donations for Scholarships

Included in income from non-exchange transactions are the following types of subsidies and donations for scholarships:

	2017	2016
Student scholarships	308,391	297,203
Individual scholarships	20,442	13,766
<b>Total subsidies and donations for scholarships</b>	<b>328,833</b>	<b>310,969</b>

The expenses include the following types of subsidies and cash transfers:

	2017	2016
Student scholarships	(347,026)	(336,454)
Social support allowances	(22,860)	(24,017)
<b>Total scholarships and transfers</b>	<b>(369,886)</b>	<b>(360,471)</b>

In 2017, student scholarships include scholarships under Project 5-100 in the amount of RUB 40,027 thousand (2016: RUB 45,730 thousand). Income for payment of these scholarships is included in income from non-exchange transactions under Project 5-100.

### 26. Salaries, Compensation under Civil Contracts and Charges for Said Payments

**Federal State Autonomous Educational Institution of Higher Education  
The National University of Science and Technology MISiS  
Notes to the Financial Statements for the year ended 31 December 2017  
(in thousands of Russian roubles)**

	<b>2017</b>	<b>2016</b>
Salaries and wages	(2,697,047)	(2,533,160)
Social security contributions accrued	(714,552)	(685,289)
Compensation under civil contracts	(180,595)	(190,522)
Other payments	(14,478)	(15,908)
<b>Total salaries, compensation under civil contracts, including social security contributions</b>	<b>(3,606,672)</b>	<b>(3,424,879)</b>

## 27. Outsourced Services

	<b>2017</b>	<b>2016</b>
Repair work	(315,609)	(678,448)
Power supply services	(257,192)	(252,574)
Research and development services	(229,452)	(449,465)
Information and consulting services	(100,897)	(194,309)
Development of design documentation	(44,889)	(32,751)
Utilities costs	(42,309)	(31,412)
Software maintenance, fine-tuning and acquisition	(36,035)	(73,613)
Technical maintenance of equipment and utility systems	(32,733)	(52,943)
Security, cash collection services	(28,378)	(21,312)
Professional development	(25,034)	(8,745)
Telecommunications	(14,873)	(15,930)
Lease of premises	(6,184)	(4,664)
Bank fees	(5,136)	(4,579)
Insurance	(1,641)	(1,496)
Other services	(127,568)	(124,798)
<b>Total outsourced services</b>	<b>(1,267,930)</b>	<b>(1,947,039)</b>

Other services in 2017 and 2016 include legal protection of intellectual property, representing the University in patent authorities, organising and conducting events, marketing services associated with publications in the media about the University, etc.

## 28. Other Expenses

	<b>2017</b>	<b>2016</b>
Business trip expenses	(46,253)	(53,726)
Organising social functions	(19,295)	(38,277)
Advertising expenses	(16,682)	(19,362)
Transport and accommodation allowances to students	(8,962)	(9,628)
Membership fees	(7,923)	(9,137)
Refund of unused subsidies	-	(4,043)
Other costs	(22,693)	(23,180)
<b>Total other expenses</b>	<b>(121,808)</b>	<b>(157,353)</b>

## 29. Taxes and Levies

	2017	2016
Land tax	(85,306)	(84,570)
Property tax	(84,583)	(80,327)
State duties and charges	(7,794)	(9,459)
Pollution charge	(2,758)	(332)
Transport tax	(278)	(288)
Value-added tax	-	(2,581)
<b>Total taxes and levies</b>	<b>(180,719)</b>	<b>(177,557)</b>

## 30. Income Tax Income/ (Expense)

Income tax was accrued on income from fee-based educational, research and other services.

	2017	2016
Current income tax	2,739	38,952
Deferred tax	(372)	9,675
<b>Total income tax</b>	<b>2,367</b>	<b>48,627</b>

Current income tax rate applicable to NUST MISiS' income is 20%.

## 31. Statement of Comparison of Budget and Actual Amounts

Below is the reconciliation between the actual amounts on comparative basis, as presented in the Statement of Comparison of Budget and Actual Amounts, and actual amounts in the Statement of Cash Flows for the year 2017. The financial statements and the budget have been prepared for the year ended 31 December 2017 and include all of the University's branches. The reports are based on different approaches: the budget is developed using the cash method, while financial statements are prepared on accrual basis.

	Operating activities	Investing activities	Total
Actual amounts on comparative basis, as presented in the Statement of Comparison of Budget and Actual Amounts	122,568	(296,844)	<b>(174,276)</b>
Differences in the basis of accounting	(70,494)	79,432	<b>8,938</b>
Actual amount in the statement of cash flows	52,074	(217,412)	<b>(165,338)</b>

Differences in the basis of accounting comprise primarily differences in the classification of deposits placed for more than three months in the amount of RUB 8,938 thousand.

## 32. Financial Risk Management

The risk management function within NUST MISiS is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Below is the structure of the University's financial assets and liabilities

	Note	31 December 2017	31 December 2016
<b>Cash and cash equivalents</b>			
Cash in bank settlement accounts	8	708,296	812,232
Treasury	8	651,345	711,902
Deposits placed for less than three months	8	43,000	49,000
Cash on hand	8	386	770
<b>Receivables</b>			
Trade receivables	9	133,624	136,607
Financial support for bids and contracts	11	11,946	23,375
Loans originated and deposits placed	9	5,706	19,318
<b>Total financial assets</b>		<b>1,554,303</b>	<b>1,753,204</b>
<b>Payables</b>			
Payables	16	74,245	196,560
Other liabilities	11	11,946	23,364
<b>Total financial liabilities</b>		<b>86,191</b>	<b>219,924</b>

**Credit risk.** NUST MISiS takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of services provided as part of NUST MISiS income-generating activities on deferral terms, and as a result of the University's cash deposits in bank accounts and Treasury accounts.

Cash and cash equivalents represent the most significant financial assets of the University. The University's management controls the credit risk by establishing a list of banks with which the University can deposit cash and cash equivalents. The analysis of cash and cash equivalents by their credit quality is presented in Note 8.

In respect of trade receivables, NUST MISiS reviews the ageing analysis of outstanding trade receivables and follows up on past due balances.

The maximum credit risk exposure arising for the University by types of assets can be estimated using the above table of financial assets and liability structure.

**Market risk.** NUST MISiS takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. NUST MISiS caps the level of acceptable risk and monitors it on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

### 32 Financial Risk Management (Continued)

**Foreign currency risk.** NUST MISiS' assets and liabilities are barely exposed to currency risk. As at 31 December 2017, 81.7% of the University's financial assets and 100% of its financial liabilities are denominated in Russian roubles (31 December 2016: 87.3% and 100%, respectively).

In respect of currency risk, NUST MISiS sets limits on the level of exposure by currency and in total. The positions are monitored monthly.

**Liquidity risk.** Liquidity risk is the risk that NUST MISiS will encounter difficulty in meeting financial liabilities. NUST MISiS is exposed to daily calls on its available cash resources. NUST MISiS management monitors monthly rolling forecasts of cash flows.

The maturity analysis of financial liabilities is as follows:

31 December 2017	Note	Demand and less than 1 month	From 1 to 3 months	Total
<b>Liabilities</b>				
Trade payables	16	74,245	-	74,245
Other financial payables	11	11,946	-	11,946
<b>Total payables, including future principal and interest payments</b>		<b>86,191</b>	<b>-</b>	<b>86,191</b>

31 December 2016	Note	Demand and less than 1 month	From 1 to 3 months	Total
<b>Liabilities</b>				
Trade payables	16	196,560	-	196,560
Other financial payables	11	23,364	-	23,364
<b>Total payables, including future principal and interest payments</b>		<b>219,924</b>	<b>-</b>	<b>219,924</b>

### 33. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

### 33 Balances and Transactions with Related Parties (Continued)

Balances and transactions with related parties were as follows:

Related party transactions	Sales of goods and services		Purchases of goods and services	
	2017	2016	2017	2016
Associate	6,626	5,149	11,495	56,829
Other related parties (Endowment Fund)	5,075	9,759	-	-
<b>Total</b>	<b>11,701</b>	<b>14,908</b>	<b>11,495</b>	<b>56,829</b>

Payables to and receivables from related parties	Receivables		Payables	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Associate	203	542	502	38,266
Other related parties (Endowment Fund)	-	-	-	-
<b>Total</b>	<b>203</b>	<b>542</b>	<b>502</b>	<b>38,266</b>

In 2017, the deficit of associates was RUB 522 thousand (2016: deficit of RUB 2,047 thousand).

#### Key management compensation.

Key management personnel includes the following persons: President, Rectors and Vice-Rectors, members of the Supervisory Board and Academic Council.

The information about remunerations to the University's key management personnel, including social security contributions, is presented in the table below:

	2017	2016
<i>Short-term benefits:</i>		
- Incentive payments, bonuses and additions	160,196	143,362
- Salaries	57,402	97,327
- Social security contributions	48,999	46,845
- Other payments	38,519	7,812
<b>Total</b>	<b>305,116</b>	<b>295,346</b>

### 34. Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the University may be received. On the basis of its own estimates, management is of the opinion that no significant losses will be incurred in respect of these claims.

### 34 Contingencies and Commitments (Continued)

**Tax contingencies.** Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the University. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when a decision about the review was made. Under certain circumstances reviews may cover longer periods.

**Capital expenditure commitments.** As at 31 December 2017, the University had contractual commitments to purchase property, plant and equipment for a total of RUB 22,247 thousand (31 December 2016: commitment of RUB 278,317 thousand to buy property, plant and equipment in the form of payment for construction works at the dormitory in Sary Oskol).





**4, Leninsky avenue, 119049, Moscow, Russia**

**+7 (495) 955-00-32**

**+7 (499) 236-21-05**

**[www.misis.ru](http://www.misis.ru)**