

**Federal State Autonomous Educational
Institution of Higher Education
Peoples' Friendship University of Russia**

**International Public Sector
Accounting Standards
Financial Statements**

31 December 2016

CONTENTS

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. The University and its Operations	6
2. Operating Environment of the University	6
3. Summary of Significant Accounting Policies	8
4. New Accounting Pronouncements	18
5. Critical Accounting Estimates and Judgements in Applying Accounting Policies	19
6. First-Time Adoption of IPSASs	21
7. Segment Information	24
8. Cash and Cash Equivalents	26
9. Short-Term Bank Deposits	27
10. Accounts Receivable and Prepayments	27
11. Inventories	29
12. Other Assets and Liabilities	29
13. Property, Plant and Equipment	30
14. Intangible Assets	32
15. Advances for Acquisition of Property, Plant and Equipment	33
16. Accounts Payable	33
17. Taxes and levies payable	34
18. Advances Received for Non-Exchange Transactions	34
19. Advances Received for Exchange Transactions	34
20. Settlements with the Founder	35
21. Revenue from Educational Services	36
22. Revenue from Research and Development services	36
23. Revenue from Accommodation Services to Employees and Students	36
24. Other Income	36
25. Subsidies and Grants for the Development of the University and Acquisition of Property, Plant and Equipment	37
26. Employee costs, Compensation under Civil Contracts, including insurance contributions	37
27. Outsourced Services	37
28. Taxes and levies	38
29. Income Taxes	38
30. Statement of Comparison of Budget and Actual Amounts	38
31. Financial Risk Management	39
32. Fair Value of Financial Instruments	42
33. Balances and Transactions with Related Parties	43
34. Contingencies and Commitments	43



Independent Auditor's Report

To the Supervisory Board of Federal State Autonomous Educational Institution of Higher Education Peoples' Friendship University of Russia:

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 Peoples' Friendship University of Russia (the "University") as at 31 December 2016, 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:

- the statement of financial position as at 31 December 2016;
- the statement of financial performance for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of comparison of budget and actual amounts for the year then ended; and
- the notes to the financial statements, including summary of significant accounting policies and other 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.



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 ISAs 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 judgment 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

14 November 2017

Moscow, Russian Federation



E.V. Rytseva, certified auditor (licence no. 01-000528), AO PricewaterhouseCoopers Audit

Audited entity: Federal State Autonomous Educational Institution of Higher Education Peoples' Friendship University of Russia

State registration certificate № 660-U, issued by the Moscow Registration Chamber on 4 February 1994

Certificate of inclusion in the Unified State Register of Legal Entities issued on 16 September 2002 under registration № 1027739189323

117198, Moscow, Miklukho-Maklaya str., 6

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the 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-regulated organization 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
Peoples' Friendship University of Russia
Statement of Financial Position as at 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

	Note	31 December 2016	31 December 2015	1 January 2015
Assets				
Current assets				
Cash and cash equivalents	8	1 849 951	1 357 050	1 259 326
Short-term bank deposits	9	363 941	1 035 672	-
Dual currency deposit	9	121 314	100 000	-
Accounts receivable and prepayments	10	376 175	479 696	506 937
Taxes and levies receivable		16 497	6 851	7 920
Income tax receivable		36 599	142	205
Inventories	11	71 833	37 576	22 203
Other assets	12	34 427	37 944	95 488
Total current assets		2 870 737	3 054 931	1 892 079
Non-current assets				
Property, plant and equipment	13	23 723 437	23 147 672	22 954 898
Intangible assets	14	66 811	6 487	4 305
Prepayments for property, plant and equipment	15	49 643	10 799	281
Investments in associates		419	438	506
Deferred tax assets	29	167 406	102 977	141 824
Total non-current assets		24 007 716	23 268 373	23 101 814
TOTAL ASSETS		26 878 453	26 323 304	24 993 893
Liabilities				
Current liabilities				
Accounts payable	16	467 246	375 983	341 114
Income tax payable	29	-	50 567	68 296
Taxes and levies payable	17	71 388	37 344	86 199
Advances received for non-exchange transactions	18	46 154	39 363	20 506
Advances received for exchange transactions	19	1 176 326	861 426	820 430
Other liabilities	12	16 049	14 028	33 318
Total liabilities		1 777 163	1 378 711	1 369 863
Settlements with the founder	20	23 179 032	22 777 128	22 671 733
Accumulated surplus		1 922 258	2 167 465	952 297
Total net assets		25 101 290	24 944 593	23 624 030
TOTAL LIABILITIES AND NET ASSETS		26 878 453	26 323 304	24 993 893

Approved for issue and signed on 14 November 2017.

Filippov V.M.
Rector

Zorin A.V.
Chief Accountant

The accompanying notes on pages 6 to 43 are an integral part of these financial statements.

Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Financial Performance for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

	Note	2016	2015
Inflows (income)			
REVENUE FROM EXCHANGE TRANSACTIONS		7 401 409	7 466 907
Educational services	21	6 449 759	6 505 199
Research and development services	22	190 084	230 886
Accommodation services to employees and students	23	320 620	311 227
Rent of premises		217 227	199 019
Other income	24	223 719	220 576
REVENUE FROM NON-EXCHANGE TRANSACTIONS		1 083 264	691 012
Subsidies and donations for scholarships		321 544	307 028
Budget appropriation under the FTIP		517 450	230 000
Subsidies and grants for the development of the University and acquisition of property, plant and equipment	25	221 995	140 776
Subsidies for social aid payments to general public		22 275	13 208
Total inflows (income)		8 484 673	8 157 919
Expense			
Employee costs, compensation under civil contracts, including insurance contributions	26	(5 318 423)	(4 593 566)
Outsourced services	27	(987 580)	(833 082)
Scholarships and transfers to general public		(334 075)	(315 318)
Cost of raw materials and consumables used		(400 188)	(293 092)
Taxes and levies	28	(211 921)	(233 810)
Depreciation of property, plant and equipment	13	(354 775)	(269 065)
Impairment of receivables	10	(213 777)	(211 055)
Amortisation of intangible assets	14	(3 122)	(3 954)
Other expenses		(133 967)	(39 174)
Total expenses		(7 957 828)	(6 792 116)
Interest income		111 072	66 037
Foreign exchange gains/ (losses)		(507 000)	313 037
Share of net deficit of associates		(14)	(78)
Net surplus for the period before taxes		130 903	1 744 799
Income Tax income/ (expense)	29	25 794	(424 236)
Net surplus for the period		156 697	1 320 563

The accompanying notes on pages 6 to 43 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Changes in Net Assets for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)**

	Note	Settlements with the founder	Accumulated surplus	Total
Balance as at 1 January 2015		22 671 733	952 297	23 624 030
Surplus for the period		-	1 320 563	1 320 563
Depreciation of property plant and equipment under operative management	20	(202 080)	202 080	-
Additions to property, plant and equipment	20	307 475	(307 475)	-
Balance as at 31 December 2015		22 777 128	2 167 465	24 944 593
Surplus for the period		-	156 697	156 697
Depreciation of property plant and equipment under operative management	20	(239 305)	239 305	-
Additions to property, plant and equipment	20	641 209	(641 209)	-
Balance as at 31 December 2016		23 179 032	1 922 258	25 101 290

The accompanying notes on pages 6 to 43 are an integral part of these financial statements.

**Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Cash Flows for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)**

	Note	2016	2015
Cash flows from operating activities			
Surplus for the period before taxes		130 903	1 744 799
<i>Adjustments for:</i>			
Budget appropriation under the FTIP		(517 450)	(230 000)
Depreciation of property, plant and equipment	13	354 775	269 065
Amortisation of intangible assets	14	3 122	3 954
Impairment of receivables and prepayments	10	213 777	211 055
Loss from disposal of property, plant and equipment and intangible assets		8 372	208
Foreign exchange losses/(gains), net		507 000	(313 037)
Interest income		(111 072)	(66 037)
Share of net deficit of associates		14	78
Other non-cash operating expenses /(income)		7	(218)
Operating cash flows before working capital changes		589 448	1 619 867
Increase accounts receivable and prepayments		(165 533)	(142 926)
Increase in inventories		(34 257)	(15 373)
Increase in trade and other payables		418 970	118 771
Increase/ (decrease) in taxes and levies payable		17 863	(49 899)
Changes in working capital		237 043	(89 427)
Income tax paid		(125 659)	(403 055)
Net cash flows from operating activities		700 832	1 127 385
Cash flows from investing activities			
Acquisition of property, plant and equipment		(457 640)	(283 584)
Placement of bank deposits	9	515 304	(849 525)
Acquisition of intangible assets		(63 573)	(6 136)
Interest income received		100 063	51 723
Net cash used in investing activities		94 154	(1 087 522)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	30	(302 085)	57 861
Cash and cash equivalents at the beginning of the year	8	1 357 050	1 259 326
Net increase in cash and cash equivalents	30	492 901	97 724
Cash and cash equivalents at the end of the year	8	1 849 951	1 357 050

The accompanying notes on pages 6 to 43 are an integral part of these financial statements.

Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2016
In thousands of Russian roubles unless otherwise stated

	Budget amounts		Actual amounts on comparable basis	Difference between the final budget and actual amounts
	Initial budget	Final budget		
For 2016				
INFLOWS				
Income from property	178 000	274 811	272 663	2 148
Revenues from fee-based services	5 029 277	5 531 156	5 421 774	109 382
Income from interest, penalties and other enforced collections	-	-	414	(414)
Gains on transactions with assets	-	512	514	(2)
Other income, including:	2 123 594	2 387 137	2 383 819	3 318
subsidies for fulfilment of government program	1 807 430	1 806 403	1 806 403	-
subsidies for other purposes	315 314	487 159	487 159	-
other income	850	93 575	90 257	3 318
Total inflows	7 330 871	8 193 616	8 079 184	114 432
OUTFLOWS				
Payroll payments	(4 597 649)	(5 318 819)	(5 240 950)	(77 869)
Purchase of services, including:	(2 524 282)	(1 126 864)	(1 117 959)	(8 905)
telecommunications services	(30 885)	(20 600)	(20 209)	(391)
transport services	(71 959)	(29 812)	(29 413)	(399)
utilities costs	(405 196)	(285 219)	(283 571)	(1 648)
rent of property	(4 439)	(6 725)	(6 565)	(160)
property maintenance	(608 535)	(283 440)	(280 904)	(2 536)
other services	(1 403 268)	(501 068)	(497 297)	(3 771)
Taxes paid	-	(141 739)	(140 630)	(1 109)
Social security	-	(357 602)	(357 111)	(491)
Expenses incurred on acquisition of non- financial assets, including:	(912 550)	(961 912)	(937 630)	(24 282)
property, plant and equipment (Note 30)	(599 622)	(615 864)	(602 674)	(13 190)
intangible assets	-	(5 643)	(1 002)	(4 641)
inventories	(312 928)	(340 405)	(333 954)	(6 451)
Total outflows	(8 034 481)	(7 906 936)	(7 794 280)	(112 656)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	-	-	(448 206)	448 206
NET INFLOWS / (OUTFLOWS)	(703 610)	286 680	(163 302)	449 982

The accompanying notes on pages 6 to 43 are an integral part of these financial statements.

1. The University and its Operations

Federal State Autonomous Educational Institution of Higher Education Peoples' Friendship University of Russia (hereinafter, the "University" or the "RUDN University") was established under the USSR Government Resolution in 1960. Under the Russian President Decree of 12 March 2012, the University was entitled to independently develop and implement its own higher educational programs.

The University is a unitary not-for-profit entity established to achieve educational, scientific, social and cultural goals.

The founder of RUDN University is the Russian Federation. The founder's powers and authority are executed by the Ministry of Education and Science of the Russian Federation.

Principal activity. The University implements educational programs in higher and secondary vocational education programmes, additional general education and professional programmes, and engages in fundamental and applied scientific research. The University provides education to develop professionals in healthcare, economy, philology, law and other areas.

The RUDN University is the base institution for the Network University of the CIS and coordinator of the SCO Network University. It is part of the Venice Consortium of Higher Education Universities program and is actively involved in establishing and developing the BRICS Network University.

As at 31 December 2016, the University had three branches in the Russian Federation: The Sochi Institute (Branch) of the RUDN University, RUDN Essentuki Branch, RUDN Perm Branch.

The University has investments in associates with an interest 20%-35%. The number of associates as at 31 December 2016 totalled nine entities (31 December 2015: 9 entities, 1 January 2015: 7 entities). Investments in associates are made to commercialise the University's scientific developments. The University's interest in associates is formed through the contribution of the rights to use intellectual property for which the University has an exclusive ownership.

	Ownership share		
	31 December 2016	31 December 2015	1 January 2015
Alphananotech OJCS	32%	32%	32%
Meristema LLC	35%	35%	35%
Perevod + LLC	35%	35%	35%
MIATS RUDN LLC	35%	35%	35%
Logos LLC	35%	35%	35%
Design Studio LLC	35%	35%	35%
AMANI LLC	35%	35%	35%
Militest LLC	35%	35%	-
Innovative management systems LLC	25%	25%	-

University's registered and actual address is: Moscow, 6 Miklukho-Maklaya str., 117198, the Russian Federation.

2. Operating Environment of the University

Russian Federation. The legal, tax and regulatory frameworks in the Russian Federation continue to develop and are subject to frequent changes. The changes also cover the education system, which determines Russia's social, economic, scientific and technology potential. The main drivers of these processes include preparing talents with international levels of professionalism and social competences, and continuously improving their qualifications.

2. Operating Environment of the University (Continued)

Despite the steady demand for the specialists trained by the University's scientific activities, the future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Russian government to sustain growth and to make amendments to the tax, legal and regulatory environment. The management of the University believes that it takes all necessary measures to support the sustainability and development of the RUDN University in the current economic environment, and such government initiatives as the *5-100 Project* make the management confident of the development prospects for the University in the mid- and long-term perspective.

Meanwhile, the international public debt market downturn, volatility of the stock and oil products' markets, the deficit of the country's consolidated budget and other external and internal risks may have a negative effect on the Russian budget sector, leading to deficit in financing government programs and discontinued investment, educational and scientific programs.

Competitive Position Maximization Project 5-100. The Russian government implements the programme aimed at developing education and science and ensuring that by 2020 at least five Russian universities are ranked among 100 global top universities.

As part of this programme, the Russian Government has approved the plan of actions to develop some Russian universities, in particular through enhancing their competitive advantages among leading international scientific and educational centres.

Key project areas:

- ensure globalisation of all activities, develop infrastructure to engage the best scientists, academicians, professors, managers and students;
- actively promote the Russian higher education system in key markets, strengthen positions and reputation with global communities, including ratings;
- develop outstanding academic reputation of a leading university through conducting disruptive research and engaging world's best academics.

More than 50 Russian universities applied to participate in an open contest for receiving the state support, and only 21 universities were selected, including the RUDN University.

In accordance with the road map for the Project 5-100 for the University, the strategic initiatives will cover its educational activity, R&D work, human capital, infrastructure and management. The key tool for the program implementation is further internationalization of the University.

The key objective to implement RUDN's events as part of Project 5-100 is improving the University's quality of education and competitive advantages, transition from an educational to a research University model. To implement the Competitive Position Maximization Project, the University supports and establishes new laboratories working together with leading Russian and international research and development centres, supports the publication activity of RUDN's academics and opens new post-graduate schools. A set of events to improve the University's competitive advantages includes, but is not limited to rebranding, infrastructure improvement, educational programmes' modernization, including through the use of distant learning technologies and fostering the environment of tolerance.

As part of organizational and structural actions stipulated by the Program, the University is required to prepare its financial statements in accordance with International Public Sector Accounting Standards (IPSAS).

3. Summary of Significant Accounting Policies

Basis of preparation. These financial statements are the University's first set of financial statements prepared in accordance with IPSAS. The University maintains its accounting in Russian Roubles and prepares its statutory financial statements in accordance with Federal Law No. 402-FZ dated 06 December 2011, the Russian Budget Code, orders of the Russian Ministry of Finance No. 157n dated 01 December 2010 "On Approving the Single Chart of Accounts for Government Authorities (State Bodies)," and federal and industrial standards (RAR). These financial statements have been prepared based on RAR accounting records, amended and reclassified for fair presentation under IPSAS.

These financial statements have been prepared under the historical cost convention excluding financial instruments and assets received as a result of non-exchange operations, which initial recognition is based on fair value. The preparation of financial statements in accordance with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The principal accounting policies applied within the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented herein, unless otherwise stated.

Presentation and functional currency. The presentation currency of these financial statements is the Russian Rouble, and all amounts are rounded to the nearest thousand, unless stated otherwise. The functional currency is the currency of the primary economic environment in which the organisation operates. The functional currency of the University and its presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

The University's monetary assets and liabilities expressed in a foreign currency at the end of the reporting period are translated into Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation ("CBRF"). Foreign currency transactions are recorded at the exchange rates effective at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities in a foreign currency at year-end are recognised in surplus or deficit as foreign exchange gains and losses. Translation at year-end rates does not apply to non-monetary items of the statement of financial position that are measured at cost.

The official exchange rates set by CBRF were:

	Euro/RR	USD/RR
As at 1 January 2015	68.3681	56.2376
Weighted average for 2015	67.7767	60.9579
As at 31 December 2015	79.6972	72.8827
Weighted average for 2016	74.2310	67.0349
As at 31 December 2016	63.8111	60.6569

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

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

The share of financial result of the associates is accounted in the statement on financial performance. When changes are recognised directly in the net assets of associates, the University recognises the corresponding share and discloses it in the statement of changes in net assets.

The share of result of the associates represents their profit or loss net of tax.

3. Summary of Significant Accounting Policies (Continued)

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

Disposal of associates. In the event of losing significant influence on its associate, the University evaluates and recognises the remaining investments at fair value.

Cash and Cash Equivalents. Cash and cash equivalents comprise cash on hand, balances on customer accounts placed in 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 as well as deposits on demand are included in cash equivalents.

Interim order cash (or restricted cash) is included in other assets.

Accounts receivable and bank deposits. Accounts receivable and bank deposits are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment. Impairment losses related to accounts receivable and bank deposits are recognised in surplus or deficit.

Advances and Prepayments. Advances and prepayments are carried at cost less provision for impairment. Advances and prepayments are classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the advances and prepayments relate to an asset which will itself be classified as non-current upon initial recognition. Advances and prepayments to acquire assets are transferred to the carrying amount of the asset once the University has obtained control over the asset and it is probable that future economic benefits associated with the asset will flow to the University. Other advances and prepayments are written off to surplus or deficit when the goods or services relating to the advances and prepayments are received. If there is an indication that the assets, goods or services relating to advances and prepayments will not be received, the carrying value of the advances and prepayment is written down accordingly and a corresponding impairment loss is recognised in the surplus or deficit for the year. Advances received and prepayments are accounted in the statement of financial position net of VAT carried for recovery.

Trade and other payables. Accounts payable are accrued when the counterparty fulfils its obligations under the contract and are recognised at amortised cost using the effective interest method. The University's accounts payable include trade and other accounts payable.

Classification of financial assets. IPSAS 29 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: financial assets at fair value through surplus or deficit loss; loans and receivables; investments held to maturity and financial assets held for sale. The classification depends on the reasons for emergence or acquisition of financial assets. Management determines their classification upon initial recognition.

The University has financial assets only in the category "loans and accounts receivable", which includes bank deposits, trade and other accounts receivable, cash and cash equivalents.

The University's accounts receivable include trade receivables (receivable on income from educational activity, research and development services provided; rent of property), and other financial receivables.

Classification of financial liabilities. Financial liabilities have the following measurement categories: held for trading which also includes financial derivatives and other financial liabilities. All financial liabilities are initially recognised at fair value. Subsequent measurement of financial liabilities depends on their classification.

The University has financial liabilities only in the category "other financial liabilities", which include accounts payable. Other financial liabilities are carried at amortised cost.

3. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets. Impairment losses are recognised in surplus or deficit when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of 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 counterparty or group of counterparties experiences a significant financial difficulty;
- non-payment or delay in payment of interest and principal;
- measurable reduction in the expected future cash flows (for example, increased number of late payments) as evidenced by its financial information that the University obtains.

Derecognition of financial assets. The University derecognises financial assets when (a) they expired or there was a waiver on the exercise of contractual rights to cash flows from the financial asset; (b) the University transferred the financial asset, whereas the asset transfer meets the following derecognition requirements: (a) it transfers contractual rights to cash flows from the asset; or (b) the University reserved contractual rights to cash flows from the asset while it assumed contractual obligations to repay cash flows to one or several beneficiaries under the contract.

Derecognition of financial liabilities. Financial liabilities are derecognised when they are extinguished, cancelled or terminated. If the existing financial liability is replaced by any other liability to the same creditor, on conditions that significantly differ from previous conditions, 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.

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.

Inventories. Inventories are initially recognised at their acquisition cost. Consequently inventories are measured at the lower of: their 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 inventory is determined on the weighted average basis. The cost of any inventories that are usually non replaceable and/ or were purchased for clearly defined 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 the estimated cost of completion and selling expenses. Inventories consumed in the ordinary course of the University's business are recognised within expenses.

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

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

Property, plant and equipment under operative management include immovable, highly valuable movable, and other movable property, and land plots transferred for unlimited use to the University, which operates them within limits set by law and pursuant to its goals, the property's intended use and upon consent of the owner of the property.

3. Summary of Significant Accounting Policies (Continued)

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 the University or acquired by the University from funds provided by the owner to purchase the property. The owner of the property removed from the University can dispose of such property at its discretion. The property owner is not liable for the obligations of the University.

Property, plant and equipment received from non-exchange transactions are initially measured at fair value at the date of obtaining control over the asset. Property, plant and equipment received for operative management are recognised as assets in correspondence with income in the reporting period when the asset was 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 fixed assets were carried at fair value. Fair value of the fixed assets was adopted as deemed cost. Immovable property was estimated by a professional appraiser based on depreciated replacement cost method.

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. Costs on modernisation and capital repair of property, plant and equipment are capitalised.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives:

Group of PPE	Useful lives (in years)
Residential buildings	12-57
Non-residential buildings	3-53
Structures	4-25
Plant and equipment	1-25
Transport vehicles	3-10
Other property, plant and equipment	2-25

Land plots are not depreciated.

The residual value of an asset is the estimated amount that the University would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, 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 per management intentions. When an asset is no longer in use and is held for disposal, it is measured at the lower of its carrying amount and its fair value less costs to sell.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in net surplus for the period. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

The University derecognises property, plant and equipment within assets upon disposal or when no future economic benefits or service potential are expected from their use or disposal.

3. Summary of Significant Accounting Policies (Continued)

The financial result arising on derecognition of property, plant and equipment (defined as the difference between net proceeds from disposal, if any, and the carrying amount of the property, plant and equipment disposed) is included in surplus or deficit for the reporting period.

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

Intangible assets. An intangible asset shall be recognised only when: (a) it is probable that the University will receive future economic benefits or service potential associated with this asset; and (b) the asset cost or fair value can be reliably estimated.

Acquired computer software licenses are capitalised in the amount 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.

The intangible assets, developed in the course of scientific research, are not subject to recognition. Expenses incurred at the stage of scientific research shall be recognised as expenses when they arise.

The intangible asset, produced as a result of development and design work, shall be recognised only when the University is able to demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that the asset will be available for use or sale; (b) the intention to complete and to use or sell the asset; (c) the ability to use or sell the intangible asset; (d) how the asset will generate probable future economic benefits or service potential; (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) the ability to measure reliably the expenditure attributable to the asset during development.

The patents, software products, know-how and the website developed by the University's resources are capitalised within expenses incurred when the intangible asset met the above criteria for the first time. The cost of an intangible assets developed by the University's resources includes all direct expenses incurred to develop, produce and prepare the asset for use per management's intentions. Any costs previously recognised as expenses are not included in the cost of intangible assets.

All the intangible assets of the University have limited useful lives. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their useful lives:

Group of Intangible assets	Useful lives (in years)
Internet websites	2-7
Licences	1-3
Other intangible assets	2-10

An asset starts to be amortised when it becomes ready for use, i.e. when its location and condition enable to use the asset in accordance with management intentions. Amortisation is charged to surplus or deficit for the period.

The University derecognises intangible assets within assets upon disposal or when no future economic benefits or service potential are expected from its use or disposal. The financial result arising on derecognition of intangible assets (defined as the difference between net proceeds from disposal and the carrying amount of the asset) is included in the surplus or deficit for the reporting period.

3. Summary of Significant Accounting Policies (Continued)

Impairment of cash generating non-financial assets. Cash generating assets are those assets that are held primarily for receiving income from commercial activities. At each reporting date the University assesses whether there is any indication of impairment of assets. When such indication exists or when there is a requirement to perform annual asset impairment tests, then the University estimates the recoverable amount of the asset. The recoverable amount 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. Only if the recoverable value of an asset or CGU is lower than their carrying amounts, the carrying amount reduces to the asset's recoverable value. Impairment losses are immediately charged to surplus or deficit for the period. In assessing value in use, the anticipated 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 information (if available). 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 indicators that previously recognised impairment losses have reduced or no longer exist. If such indicators exist, then the University assesses the recoverable value of the asset or CGU.

Previously recognised impairment losses are reversed only if there was a change in the estimations previously used to determine the recoverable value since the latest impairment loss recognition. The carrying amount of an asset increased from 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 simultaneously in surplus or deficit.

Impairment of non-financial non-cash-generating assets. Assets that do not generate cash are such assets that are not attributable to cash generating assets. At each reporting date the University identifies all indication of potential loss for non-financial assets. When any of such indication is identified, the University estimates the recoverable service amount. The recoverable service amount represents the higher of: the asset's 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 reduces to recoverable. The difference is an impairment loss and is simultaneously recognised within the current period surplus or deficit.

In determining an asset's value in use the University uses the depreciated replacement cost method. In accordance with the method, the discounted remaining value in use of an asset is deemed as 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 already consumed or remaining value in use of the asset.

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

3. Summary of Significant Accounting Policies (Continued)

At each reporting date the University determines is there any indicators that an asset impairment loss recognised in previous periods no longer applies or has reduced. When any such indicators is found, the University estimates the asset's recoverable service amount. An impairment loss recognised in prior periods is reversed if since the latest impairment loss recognition there has been a subsequent change in the estimates used to determine the asset's recoverable amount. 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 simultaneously recognised in surplus or deficit.

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

Contingent liabilities. The University does not recognise contingent liabilities, but provides for detailed disclosures on any contingent liability in the notes to the financial statements, unless the likelihood of the outflow of resources embodying economic benefits or service potential is remote.

Contingent assets. The University 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 service potential associated with the asset. Contingent assets are periodically reviewed to ensure that relevant changes are appropriately reflected in the financial statements. If it is virtually certain that future economic benefits can be received or service potential can be created, and an asset can be reliably estimated, then the asset and respective income are recorded in the financial statements in the period when the change took place.

Revenue from non-exchange transactions. In the event of non-exchange transactions the University receives resources for free or for a symbolic compensation. The inflow of resources from non-exchange transactions except for the provision of services in-kind that meets the asset's definition, is recognised as an asset only when: (a) it is probable that the University will receive future economic benefits or service potential associated with the asset as a result of using the resources; and (b) the asset's fair value can be reliably estimated.

The inflow of resources from a non-exchange transaction recognised as an asset is carried as revenues to the extent the inflow of resources exceeds the financial liability which is also recognised against the inflow. Any asset acquired through conducting a non-exchange transaction is initially carried at fair value at the acquisition date. Revenues from non-exchange transactions is calculated as a gain in net assets recognised by the University. If the University 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 liability recognition. The amount carried as a liability represents the best estimate of the amount necessary to meet the current obligation at the reporting date. The estimate accounts for risks and uncertainties associated with the event leading to the liability recognition.

The main types of revenues from non-exchange transactions of the University include:

Budget appropriation under the FTIP. Budget appropriation under the FTIP are federal budget funds allocated for budgetary investments under the rules of making capital investments into the state property of the Russian Federation in accordance with the Federal Targeted Investment Programme (FTIP). The budget appropriation is intended for investing in new construction, expansion, renovation and technical upgrade of the existing buildings and structures, purchase of cars, equipment, tools, fixtures, research and development and other expenses.

3. Summary of Significant Accounting Policies (Continued)

The budget appropriations are recognised as revenues in the statement of financial performance for the reporting period in the amount corresponding to the costs incurred and capitalised during the reporting period.

Subsidies and donations for scholarships. The budgetary funds received in the form of a subsidy for student scholarships, and other payments from budgets of all levels (including budgetary funds 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.

Subsidies and grants for activities prescribed by the Charter. 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 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 as follows:

- when under the assets' transfer conditions, the University is required to either use future economic benefits or service potential associated with the assets in due course, or return them to the giving party if the conditions are not met, then revenues are recognised when the conditions are satisfied;
- when no conditions are prescribed for the assets' transfer, the University recognises revenues, when control over the asset originally is established.

Revenue from exchange transactions. The educational activity is financed through government subsidies and fees for educational services paid by individuals and legal entities.

Recognition of revenue from the educational services financed by the government. The amount of subsidies allocated by the government for the provision of educational services depends on the name, quantity of public services and statutory costs to provide public services by price groups of major qualifications and areas of education. Revenues from rendering educational services are recognised based on agreements signed with the Ministry of Education and Science of the Russian Federation. Revenues are measured based on the fair value of the consideration received or receivable.

Recognition of revenue from the educational services provided on a fee basis. Revenues from rendering fee-based educational services are recognised on a monthly basis, pro rata to the time spent on training delivery in the reporting period, when the service was rendered. For the most of education programmes the period of providing services is equal to 10 months. Revenues are measured based on the fair value of the consideration received or receivable. Transactions for which an uncertainty arise about the probability of the economic benefit inflow, for example when overdue receivables exceed two semesters (or 360 days), revenue is recognised in the period when consideration for such services was received.

Research and development services. Research and development services are performed both in accordance with a public engagement and under agreements signed with various Ministries, government agencies and commercial organisations. Research and development services are provided within the framework of a public engagement, for the subjects of research formulated in line with priority outlines for science and technology development approved by the Russian Federation. Sales of research and development services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The proportion of the services rendered is calculated by reference to the proportion of actual costs incurred under the agreement to total costs under the agreement. Revenues are shown net of VAT. Revenues are measured based on the fair value of the consideration received or receivable.

Rent of premises. Revenue from property lease services is recognised on a monthly basis and calculated as a ratio to the contractual monthly rental rate and the number of days to use the leased space in the reporting period.

3. Summary of Significant Accounting Policies (Continued)

Other services. The University provides the following other services for a fee:

- additional accommodation in dormitories;
- compensation of utility services from lessees;
- compensation of utility services from students and employees;
- resort, recreation and wellness services for children;
- medical services;
- other types of services.

Revenues from other fee-based services are recognised in the reporting period in which the services were rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total 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.

Compensation of expenses incurred by the University to provide conditions for implementing projects related to grants from the Russian Foundation for Basic Research (the "RFBR") and the Russian Humanitarian Scientific Foundation (RHSF) (jointly referred to as the "Foundations"). The University is a party to a trilateral agreement between the Foundations, the University and the grant's recipient. The Foundations act as clients under the trilateral agreement, and the recipient of the grant acts as a contractor. The University assists in the implementation of the project, engages in settlements 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) in the University's account, including receiving all or part of funds as transfers to its account or in cash (depending on the entity's ability), instructing the University to sign and pay from the grant contracts with third parties for the supply of equipment, performance of work and provision of services. The recipient of the grant reimburses the University's out-of-pocket expenses of no more than twenty percent of the grant amount. In this regard, the University recognises income gained and expenses incurred for ensuring the financing of the Foundation grant recipient, on net basis and includes the revenue in the expenses to be reimbursed to the University.

Employee benefits. Short-term employee benefits paid to the University's 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 not discounted. Short-term employee benefits are recognised in the reporting period in which the services were provided by the employees.

Post-employment benefits. The University has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to government social funds.

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 the University directly or indirectly through one or more intermediaries;
- key management personnel of the University and their close family members;
- entities on which University can have a significant impact.

3. Summary of Significant Accounting Policies (Continued)

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 in line with typical business relations between the parties;
- the transactions are conducted under the terms and conditions that are normal for similar transactions under these circumstances.

As at 31 December 2016, 31 December 2015 and 1 January 2015, the University's related parties included:

- University administration (Rector, Vice-Rectors);
- members of the Supervisory Board;
- members of the Academic Council;
- associates.

Income taxes. 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 operations prescribed by their charters that were provided gratuitously based on decisions by government agencies, local authorities and management bodies of state non-budget 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 the University during the reporting period. Income taxes for 2015-2016 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 surplus or deficit for the year, except if it is recognised in other net assets because it relates to transactions that are also recognised, in the same or a different period, in net assets.

Current tax is the amount expected to be paid to, or recovered from, the budget in respect of taxable profits or losses for the current and prior periods. Taxable profit or loss 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, their 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, unless such assets or liabilities are directly attributable to a 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. Summary of Significant Accounting Policies (Continued)

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 for the gross amount of the debtor, including VAT.

Segment reporting. Segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives and (b) making decisions about the future allocation of resources.

The University recognises geographical segments, i.e. components of the University involved in the production of goods and services or achieving specific operating objectives within a certain geographical area.

Statement of comparison of budget and actual amounts arising from budget implementation. The University's Financial and Business Plan (hereinafter, the "Budget") is developed based on the cash method, in line with the framework other than IPSAS. The financial statements of the University 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 financial period from 1 January 2016 to 31 December 2016 and all the branches of the University.

Budget classification methods include classifications by the following analysts:

1. By financing sources:
 - (i) Subsidy for the state program execution;
 - (ii) Earmarked subsidies (subsidies for other purposes);
 - (iii) Budget investments;
 - (iv) Proceeds from income-generating activities;
2. By outlays and revenues of the Classification of public sector transactions.

The key parameters of the University's 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 additions and between expenses, and due to changes in the planned additions and expenses, for example, changes in the volume of financing from the state or the conclusion of new agreements on rendering paid services.

The actual amounts represent the University's cash flows, including all the branches of RUDN University. 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

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on after 1 January 2017 or later, and which the University has not early adopted:

- IPSAS 34, Separate Financial Statements (issued in January 2015 and effective for the periods beginning on or after 1 January 2017);
- IPSAS 35, Consolidated Financial Statements (issued in January 2015 and effective for the periods beginning on or after 1 January 2017);
- IPSAS 36, Investments in Associates and Joint Ventures (issued in January 2015 and effective for the periods beginning on or after 1 January 2017);

4. New Accounting Pronouncements (continued)

- IPSAS 37, Joint Arrangements (issued in January 2015 and effective for the periods beginning on or after 1 January 2017);
- IPSAS 38, Disclosure of Interests in Other Entities (issued in January 2015 and effective for the periods beginning on or after 1 January 2017);
- IPSAS 40, Public Sector Combinations (issued in January 2017 and effective for the periods beginning on or after 1 January 2019);
- IPSAS 39, Employee Benefits (issued in July 2016 and effective for the periods beginning on or after 1 January 2018);
- Amendments to IPSAS 21, Impairment of Non-Cash-Generated Assets, and IPSAS 26, Impairment of Cash-Generated Assets (issued in July 2016 and effective for the periods beginning on or after 1 January 2018);
- The Applicability of IPSASs (issued in April 2016 and effective for the periods beginning on or after 1 January 2018);
- Improvements to IPSAS 2015 (issued in April 2016 and effective for the periods beginning on or after 1 January 2018);
- Recommended Practice Guideline 3, Reporting Service Performance Information (issued in March 2015).

The new standards and interpretations are not expected to affect significantly the University's financial statements.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The University makes estimates and assumptions that affect the amounts recognised in the financial statements 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 estimations, 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:

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 service potential 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 of 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 the University. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence of equipment.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2016 would be to increase it by RR 35 478 thousand (2015: increase by RR 26 906 thousand).

Valuation of land plots. Land plots in unlimited use were valued at their cadastral value at the IPSAS transition date.

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

Bad debt provision. Management of the University creates a provision for doubtful accounts receivable to account for possible losses arising from the inability of legal entities or individuals to meet their obligations. As for legal entities indebtedness, the University assesses whether there is objective evidence of impairment on an individual basis. As for individuals, the University assesses whether there is objective evidence of impairment for individually significant amounts, and then collectively for amounts receivable that are not individually significant.

When accessing on the amount of the provision for doubtful accounts receivable, the management of the University is based on the limitation period for the receivables and the probability of repayment of the debt amount. The bad debt provision is created for doubtful debts with a limitation period of 181 to 360 days and over 360 days in the amount of 100%.

Property under operative management and land plots under unlimited use. To enable the University to conduct the operations established by its Charter, the Russian Federation has entitled the University to operative management of property, and land plots were transferred for unlimited use. The operative management qualifies the University for holding (using) immovable property and highly valuable movable property ("HVP") without the right to dispose 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.

The owner of property has never seized the property in practice; as of the reporting date, the University does not have the list of assets approved by the founder, which are subject to seizure. The University operates under public orders in science and education and does not expect any reduction in the volumes of its activity. To this effect, the University does not expect that the property will be removed by the Russian Federation.

Property and land plots have a potential benefit for supporting the activities prescribed by the University's Charter. 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.

Recognition of the value of construction in progress within line item "Settlements with the founder." Construction in progress is recognised within the University's non-current assets, and is transferred to highly valuable assets upon completion of construction or reconstruction. In the Statement of Financial Position, line item "Settlements with the founder" is increased by the capitalised expenditure on construction and acquisition of immovable and movable property to be transferred to highly valuable assets upon commissioning. The method is based on the assumption that construction in progress will be transferred to property under operational managements upon completion of construction.

Recognition of settlements with founders in a separate line item "Settlements with the founder" in the statement of financial position. Balances and transactions with the founder are represented by immovable and highly valuable movable assets, land under unlimited use and construction in progress. Highly valuable movable assets are movable assets worth more than RR 500 thousand acquired from state sources of financing.

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

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

- (i) Acquisition and construction of property transferred to use for operative management financed by the Russian Federation are non-exchange transactions. Thus, its value is deducted from the amount in line item "Accumulated surplus" in the Statement of Financial Position and then added to the amount in line item "Settlements with the founder" in the Statement of Financial Position.

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

- (ii) Property and land plots under operational managements received from the Russian Federation to enable the University to conduct the operations established by its Charter are contribution from the founder and recognised directly in line item "Settlements with the founder" in the Statement of Financial Position.

6. First-Time Adoption of IPSASs

The IPSASB issued IPSAS 33, First-Time Adoption of Accrual Basis IPSAS in January 2015, the standard comes into effect on 1 January 2017. The IPSASB encourages early adoption of IPSAS 33, and therefore the University has adopted the standard for financial reporting purposes. In accordance with IPSAS 33, in line with some exceptions, the University is required to retrospectively adopt standards and interpretations in the version effective as at 31 December 2016, that is, at the date of the first annual financial statements of the University prepared under IPSAS.

The University used an acceptable permission that does not affect the fair presentation of the financial statements.

Fair value as deemed cost exemption. As at 1 January 2015, the University elected to measure land at its cadastral value. Immovable property was carried at fair value. Fair value was adopted as deemed cost. Immovable property was estimated by a professional appraiser based on depreciated replacement cost method.

Following revaluation for financial reporting purposes under IPSAS, the value of land plots and immovable property as at 1 January 2015 increased by RR 2 563 699 thousand to RR 22 954 898 thousand.

Reconciliation of financial performance

The following reconciliations provide a quantification of the effect of the transition from Russian Accounting Regulations ("RAR") to IPSAS as at 31 December 2016, 31 December 2015 and 1 January 2015:

	31 December 2016	31 December 2015	1 January 2015
Accumulated financial result per RAR	1 075 019	953 762	(216 785)
Accumulated result on accrued depreciation on high-value property	2 278 576	2 319 864	2 197 283
Accumulated financial result per RAR FTIP	1 294 823	777 647	657 127
Total accumulated financial result under RAR	4 648 418	4 051 273	2 637 625
Effects of changes in accounting policies:			
1) Adjustment of settlements with founder	(1 659 929)	(1 346 523)	(3 449 976)
2) Fair value as deemed cost	2 637	276 268	2 563 699
3) Unused vacations provision	(408 547)	(321 463)	(290 381)
4) Impairment of receivables and prepayments	(519 552)	(549 487)	(269 548)
5) Writing off inventories to expenses	(365 708)	(210 160)	(155 515)
6) Timely recognition of income and expenses	(1 187)	193 369	(116 401)
7) Deferred income tax charge	167 407	102 977	141 824
8) Recognising software licenses as intangible assets	56 091	4 110	-
9) Differences in accounting policies for revenue recognition	2 735	(26 259)	(103 971)
10) Other adjustments	(107)	(6 640)	(5 059)
Accumulated surplus under IPSAS	1 922 258	2 167 465	952 297

6. First-Time Adoption of IPSAS (Continued)

The following reconciliations provide a quantification of the effect of the transition from Russian Accounting Regulations ("RAR") to IPSAS for the year ended 31 December 2016.

	2016
Financial result under RAR	98 708
including:	
specified in Form 0503721 "Statement of the entity's financial results"	121 257
specified in Form 0503121 "Statement of financial performance"	(22 549)
Additions and disposals of funds under the FTIP	
Additions to the FTIP account	539 725
Net financial result under RAR	638 433
Impact of changes to the accounting policy on the Statement of Financial Performance:	
1) Adjustment of settlements with founder	47 211
2) Fair value as deemed cost	(273 631)
3) Unused vacations provision	(87 084)
4) Impairment of receivables and advances issued	29 935
5) Writing off inventories to expenses	(155 547)
6) Timely recognition of income and expenses	(194 558)
7) Deferred income tax charge	64 429
8) Recognising software licenses as intangible assets	51 981
9) Differences in accounting policies for revenue recognition	28 994
10) Other adjustments	6 534
Surplus under IPSAS for the period	156 697

The key adjustments for the differences between RAR and IPSAS were attributable to the following:

1. Adjustment of settlements with the founder. In RAR balances and transactions with founders on property, plant and equipment under operative management represent an obligation to founder and are carried in the balance sheet as negative assets in correspondence with income from transactions with the asset that is also recognised as negative within income in the statement of financial performance, when the fixed asset is commissioned. For IPSAS purposes, property, plant and equipment under operative management are recognised as assets. Therefore, settlements with the founder recognised as negative within assets under RAR were written off, and negative income recorded in 2015 is excluded from the financial result for the period. Line item "Settlements with the founder" comprises the carrying value of property, plant and equipment that gives rise to the liability to the founder, and construction in process, including that acquired under the Federal Targeted Investment Program ("FTIP"), with value measured in accordance with IPSAS. Changes in the estimates of liabilities to founder resulted in decreased surplus.

The effect on the surplus for the year ended 31 December 2016 was generated as a result of eliminating the negative income recognised under RAR due to inclusion in liabilities to founder of immovable or highly valuable movable property put into operation. In addition, balances and transactions with founder were adjusted by restated depreciation charges resulting from restated property plant and equipment.

2. Fair value as deemed cost exemption. As at 1 January 2015, the University decided to perform a valuation of its immovable property (buildings and structures) and construction in process. Land plots' value was measured based on their cadastral values, which were determined as at the date closest to the date of first IPSAS adoption by the University. As a result of this exception, as at 1 January 2015, the carrying value of immovable property and construction in process increased by RR 1 731 414 thousand, and the value of land plots increased by RR 832 285 thousand.

6. First-Time Adoption of IPSAS (Continued)

- 3. Unused vacations provision.** Unused vacation provision was accrued for IPSAS purposes.
- 4. Impairment of receivables and prepayments.** An additional impairment provision for receivables and advances issued that are more than 180 days overdue was made for financial reporting purposes.
- 5. Writing off inventories to expenses.** Under IPSAS inventories transferred for use are written off to expenses. Under RAR such inventories can be recognised on the balance sheet of the University. Inventories classified under RAR within property, plant and equipment were written off to expenses upon their transfer for operation. Under RAR, the expenses on the University's initiatives are recorded within construction in process. Meanwhile, University management does not expect that these projects would generate revenues; therefore for financial reporting purposes under IPSAS, construction in process for the initiatives was expensed.
- 6. Timely recognition of income and expenses.** The adjustment was made due to different periods of income and expense recognition under RAR and IPSAS. Furthermore, expenses under long-term research contracts and revenue equal to the expenses under such contracts were recognised for financial reporting purposes as at 1 January 2015, and for the years 2015 and 2016.
- 7. Deferred income tax charge.** This adjustment was made in order to recognise deferred tax calculated using the balance sheet liability method in respect of temporary differences arising from adjusting the figures under RAR for IFRS purposes. Refer to Note 29 for temporary differences by type.
- 8. Recognising software licenses as intangible assets.** This adjustment was made due to differences in the intangible assets recognition criteria under RAR and IFRS. In this regard, as of 31 December 2016, the University recognised within its intangible assets expenses related to the acquisition of rights to use software for a total of RR 56 091 thousand (31 December 2015: RR 4 110 thousand; 1 December 2015: nill).
- 9. Differences in accounting policies for revenue recognition.** This adjustment was made due to differences in the period of revenue recognition according to the proportion of the time spent on training delivery in the reporting period and differences occurred on revenue recognition for transactions where an uncertainty raised about the probability of the economic benefit inflow in periods prior to the reporting period.
- 10. Other adjustments.** For IPSAS financial statements purposes, the University wrote off capital expenditures for the University branches and accounts receivable and payable.

6. First-Time Adoption of IPSAS (Continued)

Reconciliation of settlements with the founder

The following reconciliations provide for the quantification of the effect produced by the change in obligations to founders under RAR as at 31 December 2016, 31 December 2015 and 1 January 2015:

	31 December 2016	31 December 2015	1 January 2015
Obligations to the founders under RAR	21 519 103	21 430 605	19 221 757
Effects of changes in accounting policies:			
1) Reversing obligations to the founder under RAR	(21 473 269)	(19 099 176)	(19 221 757)
2) Reversing obligations to the founder carried under RAR in the statement of financial performance	(45 834)	(2 331 429)	-
3) Recognising obligations to the founder under IPSAS	22 777 128	22 671 733	22 671 733
4) Additions of immovable property and highly valuable movable property	641 209	307 475	-
5) Depreciation of immovable property and highly valuable movable property	(239 305)	(202 080)	-
Balances and transactions with the founder under IPSAS	23 179 032	22 777 128	22 671 733

1. **Reversing obligations to the founder under RAR.** In RAR balances and transactions with founders on property, plant and equipment under operative management represent a liability on balances and transactions with founders and are carried in the balance sheet as negative assets in correspondence with income from transactions with the asset that is also recognised as negative within income in the statement of financial performance, when the fixed asset is commissioned. For IPSAS purposes, balances and transactions with the founder for property, plant and equipment, as presented in the statement of financial position within negative assets were eliminated. The effect on the surplus for the year ended 31 December 2016 was eliminated for IPSAS application purposes.

2. **Recognising obligations to the founder under IPSAS.** Under RAR, the calculation of estimated obligations to the founder did not include the value of construction in progress acquired under the FTIP. Under IPSAS, the value of construction in progress acquired under the FTIP increased the obligation to the founder. As at 1 January 2015, the University decided to carry land plots at their cadastral value, which was adopted as deemed cost. Immovable property fixed assets were carried at fair value, which was adopted as deemed cost. As a result of using the fair value as deemed initial cost, the obligations to the founder increased.

3, 4. **Additions and depreciation of immovable property and highly valuable movable property.** Line item "Balances and transactions with the founder" comprises the carrying value of immovable property and highly valuable movable property and FTIP facilities. Movements in the value of immovable property and highly valuable movable property and the assets acquired under FTIP adjust the accumulated surplus in the Statement of Changes in Net Assets in correspondence with line item "Balances and transactions with the founder".

Reconciliation of cash flows arising from operating, investment and financial activities of the University is presented in Note 30 Statement of reconciliation of budget and actual amounts.

7. Segment Information

For management purposes, the University has been divided into business units (branches) based on their geographical location. For financial reporting purposes, the University recognises one reportable segment: RUDN Moscow. University management does not classify any other branches as separate segments because they are immaterial.

7. Segment Information (Continued)

The information about segments' revenues and expenses in 2016 is presented below:

	Moscow	Other	Unallocated	Total
Segment revenue, total:	8 285 913	198 760	-	8 484 673
budget subsidies	2 809 369	-	-	2 809 369
proceeds from external sources	5 476 544	198 446	-	5 674 990
transfers between segments	-	314	-	314
Segment expenses	(8 260 032)	(204 810)	25 794	(8 439 048)
Interest income	-	-	111 072	111 072
Segment surplus	25 881	(6 050)	136 866	156 697

The information about segments' revenues and expenses in 2015 is presented below:

	Moscow	Other	Unallocated	Total
Segment revenue, total:	7 964 360	193 559	-	8 157 919
budget subsidies	2 294 799	58 620	-	2 353 419
proceeds from external sources	5 646 332	158 168	-	5 804 500
transfers between segments	23 229	(23 229)	-	-
Segment expenses	(6 284 173)	(194 984)	(424 236)	(6 903 393)
Interest income	-	-	66 037	66 037
Segment surplus	1 680 187	(1 425)	(358 199)	1 320 563

The information about segments' assets and liabilities as of 31 December 2016 and segments' capital expenditure for 2016 is presented below:

	Moscow	Other	Unallocated	Total
Assets	25 851 147	823 301	204 005	26 878 453
Segment liabilities	1 720 306	56 857	-	1 777 163
Capital expenditure for 2016	937 932	854	-	938 786

The information about segments' assets and liabilities as of 31 December 2015 and segments' capital expenditure for 2015 is presented below:

	Moscow	Other	Unallocated	Total
Assets	25 367 890	852 295	103 119	26 323 304
Segment liabilities	1 270 290	57 854	50 567	1 378 711
Capital expenditure for 2015	460 605	1 432	-	462 037

The information about segments' assets and liabilities as at 1 January 2015 is presented below:

	Moscow	Other	Unallocated	Total
Assets	24 000 659	851 205	142 029	24 993 893
Segment liabilities	1 248 876	52 691	68 296	1 369 863

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 include the following amounts from the Cash Flow Statement and Statement of Financial Position:

	31 December 2016	31 December 2015	1 January 2015
Deposits placed for less than three months and on demand deposits	1 560 685	1 060 227	-
Bank balances payable on demand	254 011	191 736	916 496
Current accounts in the Russian Federal Treasury	35 013	104 992	342 709
Cash on hand	242	95	121
Total cash and cash equivalents	1 849 951	1 357 050	1 259 326

As of 31 December 2016 and 31 December 2015 deposits were held in the deposit accounts with PAO Bank VTB and PAO Sberbank.

In 2016, interest income from Rouble deposits was accrued at 7.31% – 10.08% per annum (2015: 8.7% – 10.08% per annum), and from US Dollar deposits – at 1,16% – 1,88% per annum (2015: 0.64% – 2,45% per annum). In 2015 deposits were also placed in Euros at a rate of 1.95% per annum.

Cash and cash equivalents are denominated in the following currencies:

	31 December 2016	31 December 2015	1 January 2015
Russian Roubles	242 178	663 027	342 830
US Dollars	1 583 760	571 532	832 409
Euros	24 013	122 491	84 087
Total	1 849 951	1 357 050	1 259 326

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as at 31 December 2016, 31 December 2015 and 1 January 2015 as follows:

	Ba1-rated	Baa2-rated	Total
31 December 2016			
Bank balances payable on demand	254 011	-	254 011
Balances on accounts with the Treasury	35 013	-	35 013
Term deposits	1 560 685	-	1 560 685
31 December 2015			
Bank balances payable on demand	191 736	-	191 736
Balances on accounts with the Treasury	104 992	-	104 992
Term deposits	1 060 227	-	1 060 227
1 January 2015			
Bank balances payable on demand	-	916 496	916 496
Balances on accounts with the Treasury	-	342 709	342 709

In respect of cash on current accounts held in Russian Federal Treasury, Moody's assigned the Ba1 long-term Issuer Default Rating to the Russian Federation as at 31 December 2016.

9. Short-Term Bank Deposits

In 2015 and 2016, the University placed foreign currency deposits for more than three months. As of 31 December 2016 and 31 December 2015, there were outstanding deposits in accounts with PAO Bank VTB.

As of 31 December 2016 and 31 December 2015 interest income from USD deposits was accrued at interest rate of 1.20% – 1.75% per annum and 1.60% – 3.69% per annum, respectively.

	31 December 2016	31 December 2015	1 January 2015
US Dollars	363 941	1 035 672	-
Total	363 941	1 035 672	-

In 2016 and 2015, the University placed dual currency deposits for less than three months. As of 31 December 2016 there were outstanding dual currency deposit in accounts with PAO Sberbank in amount of RR 121 314 thousand (31 December 2015: RR 100 000 thousand in PAO Bank VTB). Interest income from USD deposits in 2016 and RR deposits in 2015 was accrued at interest rate of 6% per annum and 20.37% per annum, respectively.

10. Accounts Receivable and Prepayments

	31 December 2016	31 December 2015	1 January 2015
Trade receivables	864 838	749 948	581 119
Other financial receivables	6 236	10 058	4 338
Impairment provision for receivables	(519 478)	(305 510)	(94 647)
Total financial receivables	351 596	454 496	490 810
Advances to suppliers and contractors	19 973	15 538	15 056
Salary advances	3 731	8 566	130
Other advances issued	949	1 320	1 013
Provision for impairment of advances issued	(74)	(224)	(72)
Total non-financial receivables	24 579	25 200	16 127
Total receivables and prepayments	376 175	479 696	506 937

Receivables are denominated in Russian Roubles, US Dollars and Euros.

As of 31 December 2016, trade receivables comprised:

- tuition fees due in the amount of RR 620 235 thousand (31 December 2015: RR 515 218 thousand; 1 January 2015: RR 213 667 thousand);
- payments for provision of property due in the amount of RR 117 481 thousand (31 December 2015: RR 109 693 thousand; 1 January 2015: RR 101 038 thousand);

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

10 Accounts Receivable and Prepayments (Continued)

- settlements with research and development fee payers in the amount of RR 83 201 thousand (31 December 2015: RR 89 027 thousand; 1 January 2015: RR 234 751 thousand);
- settlements with other trade receivables in the amount of RR 43 921 thousand (31 December 2015: RR 36 010 thousand; 1 January 2015: RR 31 663 thousand).

Other financial receivables include claim settlements. Non-financial receivables comprise advances issued for telecommunication services, advances issued for scientific projects, etc.

All accounts receivable represent accounts receivable for exchange transactions. As of 31 December 2016, 31 December 2015 and 1 January 2015 there were no recoverables for non-exchange transactions.

Analysis by credit quality of accounts receivable is as follows:

	31 December 2016		31 December 2015		1 January 2015	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Neither past due nor impaired:</i>						
- Government	29 471	-	7 393	-	86 832	-
- Commercial entities and individuals	203 093	742	240 798	8 576	286 701	2 856
Total neither past due nor impaired	232 564	742	248 191	8 576	373 533	2 856
<i>Past due but not impaired</i>						
- less than 30 days overdue	20 355	32	46 032	-	3 795	-
- 30 to 90 days overdue	54 907	158	81 814	-	52 263	-
- 91 to 180 days overdue	37 534	5 304	69 883	-	58 363	-
Total past due but not impaired	112 796	5 494	197 729	-	114 421	-
<i>Individually impaired</i>						
- less than 30 days overdue	2 210	-	8 385	-	1 265	-
- 30 to 90 days overdue	-	-	1 053	-	1 157	-
- 91 to 180 days overdue	-	-	1 284	-	-	-
- 181 to 360 days overdue	127 276	-	143 519	-	70 878	-
- over 360 days overdue	389 992	-	149 787	1 482	19 865	1 482
Total individually impaired	519 478	-	304 028	1 482	93 165	1 482
Less impairment provision	(519 478)	-	(304 028)	(1 482)	(93 165)	(1 482)
Total	345 360	6 236	445 920	8 576	487 954	2 856

10. Accounts Receivable and Prepayments (Continued)

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

	2016	2015
Provision for impairment of receivables as at 1 January	(305 510)	(94 647)
Increase in the provision recognised within surplus or deficit	(267 219)	(229 576)
Usage of provision	53 251	18 713
Provision for impairment of receivables as at 31 December	(519 478)	(305 510)

As at 31 December 2016, 31 December 2015 and 1 January 2015, the University also made provisions for impairment of advances issued in the amount of RR 74 thousand, RR 224 thousand and RR 72 thousand, respectively.

11. Inventories

As of 31 December 2016 the University accounted for inventories in the amount of RR 71 833 thousand (31 December 2015: 37 576 thousand; 1 January 2015: 22 203 thousand). The University consumer inventories in the ordinary course of its business and measured them at the net realisable value. During 2016 and 2015 inventories were not impaired.

12. Other Assets and Liabilities

Included in other assets and liabilities is cash received as a collateral for applications to participate in the bid (auction) from the participants of procurements, and also as a collateral for the performance of the contracts signed as a result of competitive procurements. The cash is at the temporary disposal of the University and shall be refunded to the procurement participants to the extent of the collateral received for the applications upon the completion of competitive procedures, or to the extent of the collateral received for the contract performance upon the fulfilment of contractual obligations. As of 31 December 2016, other assets comprise cash received by the University at its temporary disposal in the amount of RR 16 049 thousand (31 December 2015: RR 14 028 thousand, 1 January 2015: RR 33 317 thousand, respectively). Corresponding amounts were recognised within other liabilities. Restricted cash is placed with the Treasury assigned Moody's Ba1 rating. The amount is neither past due nor impaired. The carrying amount of restricted cash approximates its fair value. Other assets also comprise receivables in the form of cash deposited by the University as performance security or as security deposit for tenders. These receivables are neither past due nor impaired, and as at 31 December 2016 amounted to RR 17 329 thousand (31 December 2015: RR 23 021 thousand; 1 January 2015: RR 62 171 thousand).

Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

13. Property, Plant and Equipment

In 2016, movements in the carrying amount of property, plant and equipment were as follows:

	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
Cost									
As at 31 December 2015	17 303 825	1 550 817	2 483 608	1 983 132	160 919	29 825	96 690	1 263 442	24 872 258
Additions	-	696	-	262 838	94 900	7 157	2 037	571 158	938 786
Disposals (-)	-	-	(162)	(31 017)	(3 438)	(583)	(1 494)	(7 682)	(44 376)
FTIP transfer to the main balance sheet	-	-	-	-	-	-	-	-	-
Transfers from CIP	-	-	-	-	-	-	-	-	-
As at 31 December 2016	17 303 825	1 551 513	2 483 446	2 214 953	252 381	36 399	97 233	1 826 918	25 766 668
Depreciation									
As at 31 December 2015	-	(53 079)	(85 034)	(1 399 070)	(114 395)	(3 058)	(69 950)	-	(1 724 586)
Charge for the period	-	(53 094)	(85 034)	(189 378)	(17 769)	(3 055)	(6 445)	-	(354 775)
Disposal of depreciation (+)	-	-	108	30 968	3 437	120	1 497	-	36 130
As at 31 December 2016	-	(106 173)	(169 960)	(1 557 480)	(128 727)	(5 993)	(74 898)	-	(2 043 231)
Balance									
As at 31 December 2015	17 303 825	1 497 738	2 398 574	584 062	46 524	26 767	26 740	1 263 442	23 147 672
As at 31 December 2016	17 303 825	1 445 340	2 313 486	657 473	123 654	30 406	22 335	1 826 918	23 723 437

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

13. Property, Plant and Equipment (Continued)

In 2015, movements in the carrying amount of property, plant and equipment were as follows:

	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
Cost									
As at 1 January 2015	17 303 825	1 550 817	2 483 608	1 730 548	143 788	29 434	74 334	1 108 000	24 424 354
Additions	-	-	-	120 725	17 949	391	22 356	300 616	462 037
Disposals (-)	-	-	-	(13 315)	(818)	-	-	-	(14 133)
FTIP transfer to the main balance sheet	-	-	-	145 047	-	-	-	(145 047)	-
Transfers from CIP	-	-	-	127	-	-	-	(127)	-
As at 31 December 2015	17 303 825	1 550 817	2 483 608	1 983 132	160 919	29 825	96 690	1 263 442	24 872 258
Depreciation									
As at 1 January 2015	-	-	-	(1 300 245)	(103 464)	-	(65 747)	-	(1 469 456)
Charge for the period	-	(53 079)	(85 034)	(112 140)	(11 551)	(3 058)	(4 203)	-	(269 065)
Disposal of depreciation (+)	-	-	-	13 315	620	-	-	-	13 935
As at 31 December 2015	-	(53 079)	(85 034)	(1 399 070)	(114 395)	(3 058)	(69 950)	-	(1 724 586)
Balance									
As at 1 January 2015	17 303 825	1 550 817	2 483 608	430 303	40 324	29 434	8 587	1 108 000	22 954 898
As at 31 December 2015	17 303 825	1 497 738	2 398 574	584 062	46 524	26 767	26 740	1 263 442	23 147 672

13. Property, Plant and Equipment (Continued)

Construction in progress. Construction in progress is represented by construction and reconstruction of property, plant and equipment. Construction of property, plant and equipment is financed by equity and from FTIP. In 2016, plant and equipment purchased with FTIP was not commissioned (2015: plant and equipment commissioned in the aggregate amount of RR 145 047 thousand). In the reporting period, the University proceeded with the construction of buildings for the Department of Humanities, Advanced Training Institute, Students Dormitory and the Sports Complex, capitalising RR 92 759 thousand (2015: RR 152 374 thousand).

Fully depreciated fixed assets. Fully depreciated fixed assets still in use amounted to RR 1 301 945 thousand as at 31 December 2016. (31 December 2015: RR 1 063 308 thousand, as at 1 January, 2015: RR 1 025 183 thousand).

14. Intangible Assets

In 2016, movements in the carrying amount of intangible assets were as follows:

	Websites	Licences	Other intangible assets	R&D in progress	Total
Initial cost					
At 31 December 2015	6 208	5 345	3 681	302	15 536
Additions	3 744	53 950	2 539	3 340	63 573
Disposals	(763)	-	(779)	-	(1 542)
Transfers from R&D in progress	-	-	281	(281)	-
As at 31 December 2016	9 189	59 295	5 722	3 361	77 567
Depreciation					
As at 31 December 2015	(4 890)	(1 235)	(2 924)	-	(9 049)
Charge for the period	(510)	(1 969)	(644)	-	(3 123)
Disposal of depreciation (+)	640	-	776	-	1 416
As at 31 December 2016	(4 760)	(3 204)	(2 792)	-	(10 756)
Balance					
As at 31 December 2015	1 318	4 110	757	302	6 487
As at 31 December 2016	4 429	56 091	2 930	3 361	66 811

14. Intangible Assets (Continued)

In 2015, movements in the carrying amount of intangible assets were as follows:

	Websites	Licences	Other intangible assets	R&D in progress	Total
Initial cost					
As at 1 January 2015	5 917	-	2 723	760	9 400
Additions	132	5 345	367	302	6 146
Disposals	-	-	(10)	-	(10)
Transfers from R&D in progress	159	-	601	(760)	-
As at 31 December 2015	6 208	5 345	3 681	302	15 536
Depreciation					
As at 1 January 2015	(3 215)	-	(1 880)	-	(5 095)
Charge for the period	(1 675)	(1 235)	(1 044)	-	(3 954)
As at 31 December 2015	(4 890)	(1 235)	(2 924)	-	(9 049)
Balance					
As at 1 January 2015	2 702	-	843	760	4 305
As at 31 December 2015	1 318	4 110	757	302	6 487

15. Advances for Acquisition of Property, Plant and Equipment

Advances issued for acquisition of property, plant and equipment represent prepayments to contractors in the form of advance payments for construction in progress and for the acquisition of fixed assets.

16. Accounts Payable

	31 December 2016	31 December 2015	1 January 2015
Trade payables	32 190	28 886	39 025
Other payables	9 517	1 917	4 141
Total financial payables	41 707	30 803	43 166
Payroll payable	425 539	345 180	297 948
Total non-financial payables	425 539	345 180	297 948
Total trade and other payables	467 246	375 983	341 114

Payroll payables include future vacation accruals payable within twelve months after the reporting date in the amount of RR 408 547 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 94 280 thousand), RR 321 463 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 74 184 thousand) and RR 290 381 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 76 548 thousand) as at 31 December 2015 and 1 January 2015, respectively.

16. Accounts Payable (Continued)

Future vacation accruals are classified as short-term liabilities as the RUDN University has no unconditional right to defer their repayment for a period of more than one year after the reporting date.

Movements in the future vacation accruals were as follows:

	Note	2016	2015
Future vacation accruals as at 1 January		321 463	290 381
Increase in the provision recognised within surplus or deficit	26	87 084	31 082
Future vacation accruals as at 31 December		408 547	321 463

17. Taxes and levies payable

	31 December 2016	31 December 2015	1 January 2015
Value-added tax payable	27 826	28 594	30 045
Land tax payable	33 380	67	48 760
Property tax payable	8 989	8 247	7 029
Other taxes and levies payable	1 193	436	365
Total taxes and levies payable	71 388	37 344	86 199

18. Advances Received for Non-Exchange Transactions

	31 December 2016	31 December 2015	1 January 2015
Advances received for non-exchange transactions			
Prepayments of grants for the University development	18 471	12 407	5 860
Subsidies received to finance foreign students' travel and accommodation costs	26 533	26 878	14 646
Subsidies received to pay scholarships	1 150	78	-
Total advances received for non-exchange transactions	46 154	39 363	20 506

19. Advances Received for Exchange Transactions

	31 December 2016	31 December 2015	1 January 2015
Advances received for exchange transactions			
Advances received for core activities	1 043 942	847 277	775 185
Advances received with regard to other activities	132 384	14 149	45 245
Total advances received for exchange transactions	1 176 326	861 426	820 430

19. Advances received for Exchange Transactions (continued)

Advances received for providing education services and recognised within the advances received for core activities consist primarily of advances from individuals (students paying for commercial education services).

20. Settlements with the Founder

The table below summarises reconciliation of movements in property, plant and machinery and construction in progress under operative management and generating balances and transactions with the founder:

	2016	2015
Initial cost		
As at 1 January	23 581 119	23 274 980
Additions	649 406	307 475
Disposals	(13 222)	(1 336)
As at 31 December	24 217 303	23 581 119
Depreciation		
As at 1 January	(803 991)	(603 247)
Accruals	(239 305)	(202 080)
Disposal of depreciation	5 025	1 336
As at 31 December	(1 038 271)	(803 991)
Balance		
As at 1 January	22 777 128	22 671 733
As at 31 December	23 179 032	22 777 128

As at 1 January 2015, property, plant and equipment and construction in progress under operative management comprising settlements with the founder include land plots of RR 17 303 825 thousand, buildings and structures with initial value of RR 4 063 859 thousand, construction in progress of RR 1 108 000 thousand, and immovable and highly valuable movable property of RR 799 296 thousand, including plant and equipment of RR 726 449 thousand.

In 2015, additions of property, plant and equipment and construction in progress under operative management comprising balances and transactions with the founder included construction in progress of RR 154 768 thousand, and immovable and highly valuable movable property of RR 152 707 thousand, including plant and equipment of RR 146 250 thousand.

In 2016, additions of property, plant and equipment and construction in progress under operative management comprising balances and transactions with the founder included construction in progress of RR 562 057 thousand, and immovable and highly valuable movable property of RR 87 349 thousand, including plant and equipment of RR 74 496 thousand.

**Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia**
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

21. Revenue from Educational Services

	2016	2015
Fee-based main educational programs	3 447 507	2 860 682
Fee-based additional educational programs	1 255 087	1 990 972
Educational services provided as part of the public engagement	1 747 165	1 653 545
Total revenue from educational services	6 449 759	6 505 199

22. Revenue from Research and Development services

	2016	2015
Research and development	130 846	181 911
R&D work as part of the public engagement	59 238	48 975
Total revenue from research and development work	190 084	230 886

23. Revenue from Accommodation Services to Employees and Students

	2016	2015
Students accommodation in the dormitory	33 659	157 675
Accommodation in the guest facilities	15 557	17 228
Billback of utility costs to students and employees	84 580	54 173
Additional dormitory services	186 824	82 151
Total revenue from accommodation services for employees and students	320 620	311 227

24. Other Income

	2016	2015
Resort services, vacations and health recovery for children	48 789	42 727
Healthcare services	61 759	34 102
Late payment interest on educational services	26 061	23 719
Other income	87 110	120 028
Total other income	223 719	220 576

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

25. Subsidies and Grants for the Development of the University and Acquisition of Property, Plant and Equipment

	2016	2015
Subsidies for the University development	150 000	93 173
Subsidies to support young scientists	13 990	5 580
Other subsidies	58 005	42 023
Total subsidies and grants for the development of the University and acquisition of property, plant and equipment	221 995	140 776

26. Employee costs, Compensation under Civil Contracts, including insurance contributions

	2016	2015
Salaries	4 107 785	3 607 344
Social insurance contributions accrued	1 052 987	921 564
Unused vacation provision	87 084	31 082
Compensation under civil contracts	38 464	32 345
Other payments	32 103	1 231
Total employee costs, compensation under civil contracts, including insurance contributions	5 318 423	4 593 566

27. Outsourced Services

	2016	2015
Utilities costs	285 940	246 612
Expenses related to repair of property, plant and equipment	230 345	144 051
Printing house services	10 139	54 935
Security, fire safety services	57 996	44 954
Property maintenance services	47 079	44 701
Legal, audit and information services	38 225	28 065
Transport services	29 400	26 901
Acquisition of computer software rights to use and databases	30 258	15 679
Telecommunication services	19 282	17 495
R&D costs	-	17 460
Advertising services	14 624	8 594
Other services	224 292	183 635
Total outsourced services	987 580	833 082

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

28. Taxes and levies

	2016	2015
Land tax	134 216	137 694
Property tax	33 455	34 365
Other taxes	44 250	61 751
Total taxes and levies	211 921	233 810

29. Income Taxes

Income taxes for the year ended 31 December 2016 were accrued on income from fee-based educational services, scientific research conducted on a commercial basis and other commercial services. Income tax expenses include the current income tax of RR 38 635 thousand (2015: RR 385 389 thousand). Current income tax rate is 20%.

(a) Components of income tax benefit / (expense)

	2016	2015
Current income tax expense for the year	(38 635)	(385 389)
Deferred income tax for the year	64 429	(38 847)
Total income tax expense	25 794	(424 236)

(b) Deferred taxes analysed by type of temporary difference

	Provisions	Accounts receivable	Accounts payable	Total deferred tax asset, net
1 January 2015	58 076	84 294	(546)	141 824
Recognition and reversal of temporary differences within profit or loss	(43 999)	4 828	324	(38 847)
31 December 2015	14 077	89 122	(222)	102 977
Recognition and reversal of temporary differences within profit or loss	(4 440)	68 895	(26)	64 429
31 December 2016	9 637	158 017	(248)	167 406

30. 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 Reconciliation of Budget and Actual Amounts, and actual amounts in the Statement of Cash Flows for the year 2016. The financial statements and the budget have been prepared for the year ended 31 December 2016 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 based on comparables presented in the budget and Statement of Reconciliation of Budget and Actual Amounts	440 374	(603 676)	(163 302)
Differences in the basis of accounting	(260 458)	(697 830)	(958 288)
Actual amount in the Statement of Cash Flows	700 832	94 154	794 986

30. Statement of Reconciliation of Budget and Actual Amounts (continued)

Differences in the basis of accounting comprise primarily differences in the classification of deposits placed for more than three months in the amount of RR 650 417 thousand and also adverse effects of exchange rate changes on foreign currency.

Most significant deviations between the final budget and actual data are as follows:

- Decrease in the actual revenue from fee-based services by RR 109 382 thousand in comparison with the final planned amount is because of difference between planned and actual exchange currency rate at the end of the reporting period;
- Decrease in actual payroll payments and accruals as compared to the planned amount by RR 77 869 thousand is because of the optimization of the staff – the merger and liquidation of structural units, to be exact; as well as the excess of the maximum amount of insurance contributions;
- Decrease in actual amount of property maintenance expenses in comparison to budgeted by RR 2 536 thousand is because of timely maintenance of the property, and also because of tender procedures execution for suppliers of maintenance services and the high level of competition in the area;
- Decrease in actual amount of other services in comparison to budgeted by RR 3 771 thousand is because of tender procedures execution for suppliers of services;
- Decrease in expenses incurred on acquisition of property, plant and equipment by RR 13 910 thousand and inventories by RR 6 451 thousand is because of tender procedures execution for suppliers.

31. Financial Risk Management

The risk management function within the University 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.

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

31. Financial Risk Management (Continued)

The structure of the University's financial assets and liabilities is presented below:

	Note	31 December 2016	31 December 2015	1 January 2015
Cash and cash equivalents	8			
Deposits placed for less than three months		1 560 685	1 060 227	-
Current bank accounts		254 011	191 736	916 496
Current accounts in the Russian Federal Treasury		35 013	104 992	342 709
Cash on hand		242	95	121
Short-term bank deposits	9	363 941	1 035 672	-
Dual currency deposits	9	121 314	100 000	-
Accounts receivable	10			
Trade receivables		345 360	445 920	487 954
Other financial receivables		6 236	8 576	2 856
Other assets	12	33 378	37 047	95 488
Total financial assets		2 720 180	2 984 265	1 845 624
Trade payables	16	32 190	28 886	39 025
Other financial payables		9 517	1 917	4 141
Other liabilities	12	16 049	14 028	33 318
Total financial liabilities		57 756	44 831	76 484

Credit risk. The University 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 the University's income-generating activities on deferral terms, and as a result of the University's cash deposited in bank accounts and Treasury accounts.

Bank deposits and cash and cash equivalents represent the most significant financial assets of the University. University management controls the credit risk by establishing the list of banks where 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 receivables, the University performs the ageing analysis of outstanding receivables and follows up on past due balances (Note 10).

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. The University 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. The University sets limits on the value of risk that may be accepted, which is monitored 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.

Currency risk. In respect of currency risk, the University sets limits on the level of exposure by currency and on total foreign-currency assets. The positions are monitored monthly.

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

31. Financial Risk Management (Continued)

The table below summarises the University's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2016		31 December 2015		1 January 2015	
	US Dollars	Euros	US Dollars	Euros	US Dollars	Euros
Cash and cash equivalents	1 583 760	24 013	571 532	122 491	832 409	84 087
Trade receivables	155 235	5 591	186 303	7 969	87 651	4 303
Other financial receivables	-	-	-	-	-	3
Short-term deposits	363 941	-	1 035 672	-	-	-
Total financial assets / Net balance sheet position	2 102 936	29 604	1 793 507	130 460	920 060	88 393

The following table presents sensitivities of surplus, deficit and net assets to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the University, with all other variables held constant:

	31 December 2016		31 December 2015		1 January 2015	
	Impact on surplus or deficit	Impact on net assets	Impact on surplus or deficit	Impact on net assets	Impact on surplus or deficit	Impact on net assets
US Dollar strengthening by 20%	420 587	420 587	358 701	358 701	184 012	184 012
Euro strengthening by 20%	5 921	5 921	26 092	26 092	17 679	17 679
US Dollar weakening by 20%	(420 587)	(420 587)	(358 701)	(358 701)	(184 012)	(184 012)
Euro weakening by 20%	(5 921)	(5 921)	(26 092)	(26 092)	(17 679)	(17 679)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the University.

Liquidity risk. Liquidity risk is the risk that the University may encounter difficulty in meeting obligations associated with financial liabilities. The University is exposed to daily calls on its available cash resources. University management monitors cash flow projections on a monthly basis.

Federal State Autonomous Educational Institution of Higher Education
the Peoples' Friendship University of Russia
Notes to the Financial Statements for the year ended 31 December 2016
(in thousands of Russian roubles unless otherwise stated)

31. Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2016 is as follows:

	Note	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities						
Trade payables	16	1 255	29 844	1 021	70	32 190
Other payables	16	16	7 139	2 315	47	9 517
Other liabilities	12	16 049	-	-	-	16 049
Total future payments, including future principal and interest payments		17 320	36 983	3 336	117	57 756

The maturity analysis of financial liabilities as at 31 December 2015 is as follows:

	Note	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities						
Trade payables	16	376	23 820	4 036	654	28 886
Other payables	16	34	587	1 102	194	1 917
Other liabilities	12	14 028	-	-	-	14 028
Total future payments, including future principal and interest payments		14 438	24 407	5 138	848	44 831

The maturity analysis of financial liabilities as at 1 January 2015 is as follows:

	Note	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities						
Trade payables	16	4 944	22 396	2 578	9 107	39 025
Other payables	16	118	-	4 023	-	4 141
Other liabilities	12	33 318	-	-	-	33 318
Total future payments, including future principal and interest payments		38 380	22 396	6 601	9 107	76 484

32. Fair Value of Financial Instruments

The carrying amount of financial assets and liabilities in the statement of financial position approximates its fair value and determined as Level 3 of the fair value hierarchy.

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.

Universities related parties are: University President, members of the University Administration, Supervisory Board and Academic Council. The University does not repay remuneration to the members of Supervisory Board.

As at 31 December 2016, 31 December 2015 and 1 January 2015 there were no outstanding balances with related parties.

The expense items with related parties for 2016 were as follows:

	University administration	Academic Council	Supervisory Board
Salaries	116 920	95 958	-

The expense items with related parties for 2015 were as follows:

	University administration	Academic Council	Supervisory Board
Salaries	54 155	71 598	-

34. Contingencies and Commitments

Legal proceedings. The University is the defendant against several claims. University management believes that these claims will not lead to any significant cash outflow.

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 decisions about the review were made. Under certain circumstances reviews may cover longer periods.

Capital expenditure commitments. As of 31 December 2016, the University had contractual commitments to purchase property, plant and equipment for a total of RR 528 097 thousand. (31 December 2015: RR 26 491 thousand); 1 January 2015: nil).