

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

**International Public Sector
Accounting Standards
Financial Statements**

31 December 2017

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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 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

What we have audited

The University's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- 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 judgement and maintain professional scepticism throughout the audit. We also:

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



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

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

AO PricewaterhouseCoopers Audit

31 July 2018

Moscow, Russian Federation



A.A. Okishev, certified auditor (licence no. 01-000170), AO PricewaterhouseCoopers Audit

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

State registration certificate No. 660-U,
issued by Moscow Registration Chamber on 04 February 1994

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

6 Miklukho-Maklaya str., 117198.

Independent auditor:
AO PricewaterhouseCoopers Audit

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

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

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

ORNZ 11603050547 in the register of auditors and audit organizations

Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Financial Position as at 31 December 2017
(in thousands of Russian Roubles unless otherwise stated)

	Note	31 December 2017	31 December 2016
Assets			
Current assets			
Cash and cash equivalents	8	1 970 930	1 849 951
Short-term deposits		345 601	363 941
Investments held to maturity		121 169	-
Dual currency deposit		-	121 314
Accounts receivable and prepayments	9	345 896	376 175
Taxes and levies receivable		46 356	16 497
Income tax receivable		787	36 599
Inventories		48 748	71 833
Other assets	10	19 743	34 427
Total current assets		2 899 230	2 870 737
Non-current assets			
Property, plant and equipment	11	24 556 195	23 723 437
Intangible assets	12	70 401	66 811
Prepayments for property, plant and equipment		6 676	49 643
Investments in associates		403	419
Deferred tax assets	26	119 343	167 406
Total non-current assets		24 753 018	24 007 716
Total assets		27 652 248	26 878 453
Liabilities			
Current liabilities			
Accounts payable	13	498 029	467 246
Taxes and levies payable	14	106 987	71 388
Advances received for non-exchange transactions	15	31 694	46 154
Advances received for exchange transactions	16	1 081 109	1 176 326
Other liabilities	10	12 170	16 049
Total liabilities		1 729 989	1 777 163
Settlements with the founder	17	23 517 338	23 179 032
Accumulated surplus		2 404 921	1 922 258
Total net assets		25 922 259	25 101 290
TOTAL LIABILITIES AND NET ASSETS		27 652 248	26 878 453

Approved for issue and signed on 31 July 2018.

Filippov V.M.
Rector

Zorin A.V.
Chief Accountant

The accompanying notes on pages 6 to 38 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 2017
(in thousands of Russian Roubles unless otherwise stated)

	Note	2017	2016
Inflows (income)			
REVENUE FROM EXCHANGE TRANSACTIONS		8 335 991	7 401 409
Educational services	18	7 094 696	6 449 759
Research and development services	19	350 197	190 084
Accommodation services to employees and students	20	313 591	320 620
Rent of premises		222 755	217 227
Other income	21	354 752	223 719
REVENUE FROM NON-EXCHANGE TRANSACTIONS		1 416 997	1 083 264
Subsidies and donations for scholarships		362 482	321 544
Budget appropriations under the FTIP		745 821	517 450
Subsidies and grants for the development of the University and acquisition of property, plant and equipment	22	285 013	221 995
Subsidies for social aid payments to general public		23 681	22 275
Total inflows (income)		9 752 988	8 484 673
Expense			
Employee costs, compensation under civil contracts, including insurance contributions	23	(6 083 895)	(5 318 423)
Outsourced services	24	(1 107 707)	(987 580)
Scholarships and transfers to general public		(378 797)	(334 075)
Cost of raw materials and consumables used		(451 901)	(400 188)
Taxes and levies	25	(175 824)	(211 921)
Depreciation of property, plant and equipment	11	(386 554)	(354 775)
Impairment and write-off of receivables		(60 372)	(213 777)
Amortisation of intangible assets	12	(22 821)	(3 122)
Other expenses		(155 303)	(133 967)
Total expenses		(8 823 174)	(7 957 828)
Interest income		100 279	111 072
Exchange differences		(100 956)	(507 000)
Share of net deficit of associates		(3)	(14)
Net surplus for the period before taxes		929 134	130 903
Income Tax income/ (expense)	26	(108 165)	25 794
Net surplus for the period		820 969	156 697

The accompanying notes on pages 6 to 38 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 2017
(in thousands of Russian Roubles unless otherwise stated)**

	Note	Settlements with the founder	Accumulated surplus	Total
Balance at 1 January 2016		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	17	(239 305)	239 305	-
Additions to property, plant and equipment	17	641 209	(641 209)	-
Balance at 31 December 2016		23 179 032	1 922 258	25 101 290
Surplus for the period		-	820 969	820 969
Depreciation of property plant and equipment under operative management	17	(216 478)	216 478	-
Additions to property, plant and equipment	17	554 784	(554 784)	-
Balance at 31 December 2017		23 517 338	2 404 921	25 922 259

The accompanying notes on pages 6 to 38 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 2017
(in thousands of Russian Roubles unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Surplus for the period before taxes		929 134	130 903
<i>Adjustments for:</i>			
Budget appropriation under the FTIP		(745 821)	(517 450)
Depreciation of property, plant and equipment	11	386 554	354 775
Amortisation of intangible assets	12	22 821	3 122
Impairment and write-off of receivables		60 372	213 777
Loss from disposal of property, plant and equipment and intangible assets		5 096	8 372
Foreign exchange losses		100 956	507 000
Interest income		(100 279)	(111 072)
Share of net deficit of associates		3	14
Other non-cash operating expenses		14	7
Operating cash flows before working capital changes		658 850	589 448
Increase in accounts receivable, prepayments and other current assets		(5 887)	(165 533)
Decrease / (increase) in inventories		23 085	(34 257)
(Decrease) / increase in accounts payable and prepayments received for exchange and non-exchange transactions		(84 028)	418 970
Increase in taxes and levies payable		12 486	17 863
Changes in working capital		(54 344)	237 043
Income tax paid		(24 290)	(125 659)
Net cash from operating activities		580 216	700 832
Cash flows from investing activities			
Acquisition of property, plant and equipment		(441 111)	(457 640)
Placement of bank deposits		(669 378)	515 304
Proceeds from recovery of deposits and repayment of loans originated		764 270	-
Acquisition of investments held to maturity		(118 500)	-
Acquisition of intangible assets		(26 411)	(63 573)
Interest income received		97 610	100 063
Net cash (used in) / from investing activities		(393 520)	94 154
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		(65 717)	(302 085)
Cash and cash equivalents at the beginning of the year	8	1 849 951	1 357 050
Net increase in cash		120 979	492 901
Cash and cash equivalents at the end of the year	8	1 970 930	1 849 951

The accompanying notes on pages 6 to 38 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 2017
(in thousands of Russian Roubles unless otherwise stated)

2017	Budget amounts		Actual amounts based on comparable information	Difference between the amounts of final budget and actual amounts
	Initial budget	Final budget		
INFLOWS				
Income from property	180 259	253 185	249 162	4 023
Revenues from fee-based services	5 657 481	6 209 956	6 213 644	(3 688)
Income from interest, penalties and other enforced collections	-	4 472	4 472	-
Gains on transactions with assets	-	15 491	15 494	(3)
Other income, including:	2 503 041	2 677 482	2 660 733	16 749
<i>subsidies for fulfilment of government programme</i>	1 897 558	2 060 264	2 060 264	-
<i>subsidies for other purposes</i>	324 944	509 404	509 404	-
<i>other income</i>	280 539	107 814	91 065	16 749
Total inflows	8 340 781	9 160 586	9 143 505	17 081
OUTFLOWS				
Payroll payments (Note 27)	(6 090 053)	(6 374 801)	(6 070 052)	(304 749)
Purchase of services, including:	(1 440 141)	(1 555 462)	(1 424 020)	(131 442)
<i>telecommunications services</i>	(20 302)	(22 071)	(19 830)	(2 241)
<i>transport services</i>	(13 362)	(92 555)	(85 349)	(7 206)
<i>utilities costs</i>	(358 035)	(335 013)	(303 660)	(31 353)
<i>rent for the use of property</i>	(5 442)	(5 035)	(4 757)	(278)
<i>property maintenance (Note 27)</i>	(545 838)	(473 178)	(372 569)	(100 609)
<i>other services</i>	(497 162)	(627 610)	(637 855)	10 245
Taxes paid	(175 309)	(161 467)	(161 078)	(389)
Social security	(343 659)	(423 185)	(417 805)	(5 380)
Expenses incurred on acquisition of non-financial assets, including:	(1 341 043)	(1 236 872)	(868 318)	(368 554)
<i>property, plant and equipment (Note 27)</i>	(1 037 336)	(763 068)	(532 655)	(230 413)
<i>intangible assets</i>	(8 138)	(57 266)	-	(57 266)
<i>Inventories</i>	(295 569)	(416 538)	(335 663)	(80 875)
Total outflows	(9 390 205)	(9 751 787)	(8 941 273)	(810 514)
NET INFLOWS / (OUTFLOWS)	(1 049 424)	(591 201)	202 232	(793 433)

The accompanying notes on pages 6 to 40 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 programmes.

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 programmes in higher and secondary vocational education programmes, and 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 programme and is actively involved in establishing and developing the BRICS Network University.

As at 31 December 2017, the University had one branch in the Russian Federation: The Sochi Institute (Branch) of RUDN University (31 December 2016: three branches).

The University has investments in associates with an interest of 20%-35%. The number of associates as at 31 December 2017 totalled 12 entities (31 December 2016: 11 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.

	31 December 2017	31 December 2016
Alpġananotech OJCS	32%	32%
Meristema LLC	35%	35%
Perevod + LLC	35%	35%
MIATS RUDN LLC	35%	35%
Logos LLC	35%	35%
Design Studio LLC	35%	35%
AMANI LLC	35%	35%
Militest LLC	35%	35%
Innovative management systems LLC	25%	25%
VETF LLC	25%	-
Accounting Firm 22 LLC	35%	35%
RUDN Consult Company LLC	20%	20%

Its registered and actual address is: 6 Miklukho-Maklaya str., Moscow, 119049, 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 sovereign debt crisis, 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 contracts and discontinued investment, educational and scientific programmes.

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 programme 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 training 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, and others.

As part of organizational and structural actions stipulated by the Programme, 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 have been 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 6 December 2011, the Russian Budget Code, orders of the Russian Ministry of Finance No. 157n dated 1 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, initial recognition of which is based on fair value. The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 6.

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, unless otherwise stated.

Presentation and functional currency. Unless stated otherwise, the presentation currency of these financial statements is the Russian Rouble, and all amounts are rounded to the nearest thousand. The functional currency is the currency of the primary economic environment in which the organisation operates. 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") at the respective end of the reporting period. Foreign currency transactions are accounted for at the exchange rates prevailing 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 in a foreign currency at year-end are recognised in surplus or deficit as foreign exchange translation differences. 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 US dollar to Russian rouble exchange rate set by CBRF was:

	Euro/RR	USD/RR
Weighted average for 2016	74.2310	67.0349
As at 31 December 2016	63.8111	60.6569
Weighted average for 2017	65.9014	58.3529
As at 31 December 2017	68.8668	57.6002

Associates. Associates are entities over which the University has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are recorded using the equity method. Under the equity method, investments in 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 after taxes.

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 effect 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 of 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 carried in the statement of financial position less 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; leasing out 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 inventories 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.

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.

3. Summary of Significant Accounting Policies (Continued)

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

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

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 recognized in net surplus or deficit for the year. 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.

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 PPE) 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 value in use associated with this asset; and (b) the fixed asset cost or fair value can be reliably estimated.

3. Summary of Significant Accounting Policies (Continued)

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

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

The intangible assets, which result from 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, which is the result of development and design work, shall be recognised only when the University can demonstrate that all of the following conditions are in place: (a) the asset's complete bringing into a state suitable for operation or sale is technically feasible; (b) there is an intention to complete the asset's development and operate or sell it; (c) the intangible asset can be used or sold; (d) it can support the way the asset will generate future economic benefits or value in use; (e) technical, financial and other resources are available to complete the development work, use or sell the intangible asset; and (f) it can reliably estimate any costs attributable to the intangible asset that were incurred in the course of its development.

The patents, software products, know-how and the website developed by the University's resources are capitalised within expenses incurred when the intangible asset satisfied 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 carried 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.

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 determines the asset's recoverable value. The recoverable value of an asset represents the higher of: 1) fair value of an asset or cash generating unit (CGU) less costs to sell and 2) its value in use. Recoverable value is determined individually for each asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount of the CGU that owns the asset is determined. 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.

3. Summary of Significant Accounting Policies (Continued)

The fair value less costs to sell value is determined with reference to observable market deals information (if any). If such deals cannot be identified, the fair value less costs to sell is determined based on the best available information. Impairment losses on continuing operations, including impairment of inventories are recognised in the statement of financial performance in the categories of expenses that reflect the nature of impaired assets. At each reporting date, the University determines whether there is any indication that previously recognised impairment losses have reduced or no longer exist. If such indication 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 as a lumpsum 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 such indication is identified, the University estimates the recoverable value in use. 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.

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.

3. Summary of Significant Accounting Policies (Continued)

Contingent liabilities. The University does not recognise contingent liabilities, unless the likelihood of the outflow of resources is remote, but discloses the nature of contingent liabilities and when feasible, an assessment of its impact on the financial indicators, the uncertainties relating to the amount or time of settlement and the probability of recovery as at the reporting date in the notes to the financial statements for each category of contingent liabilities.

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 recognised 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.

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.

3. Summary of Significant Accounting Policies (Continued)

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 arises 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. Revenue from research and development services is 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.

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.

3. Summary of Significant Accounting Policies (Continued)

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 economic 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 the University can have a significant impact.

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 her terms and conditions that are normal for similar transactions under these circumstances.

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

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

3. Summary of Significant Accounting Policies (Continued)

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 2016-2017 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 the 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.

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 2017 to 31 December 2017 and all the branches of the University.

3. Summary of Significant Accounting Policies (Continued)

Budget classification methods include classifications by the following analysts:

1. By financing sources:
 - (i) Subsidy for the state programme 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 end of the period which were used in January 2018.

4. Adoption of New or Revised Standards and Interpretations

The following amended standards have become mandatory on or after 1 January 2017, but did not have a material impact on the University.

- 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);
- 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);

5. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 and which the University has not early adopted:

- 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);
- IPSAS Financial Reporting under the Cash Basis of Accounting (Revised) (issued in November 2017 and effective for the periods beginning on or after 01 January 2019);

5. New Accounting Pronouncements (Continued)

- 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.

6. 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 2017 would be to increase it by RR 38 655 thousand (2016: increase by RR 35 478 thousand).

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

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 considers 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%

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

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 of it. The right of full disposal of immovable property and HVP (including their removal) is retained by the Russian Federation. The Russian Federation can dispose of any property removed from the University at its discretion.

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 operative 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 "Balances and transactions 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 operative 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 operative management 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.
- (ii) Property and land plots under unlimited use 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".

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 2017 is presented below:

	Moscow	Other	Unallocated	Total
Segment revenue, total:	9 590 766	162 222	-	9 752 988
budget subsidies	3 315 489	-	-	3 315 489
proceeds from external sources	6 275 277	162 329	-	6 437 606
transfers between segments	-	(107)	-	(107)
Segment expenses	(8 743 064)	(181 069)	(108 165)	(9 032 298)
Interest income	-	-	100 279	100 279
Segment surplus (deficit)	847 702	(18 847)	(7 886)	820 969

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 (deficit)	25 881	(6 050)	136 866	156 697

The information about segments' assets and liabilities as at 31 December 2017 and segments' capital expenditure for 2017 is presented below:

	Moscow	Other	Unallocated	Total
Assets	26 695 259	836 859	120 130	27 652 248
Segment liabilities	1 675 176	54 813	-	1 729 989
Capital expenditure	1 219 599	4 809	-	1 224 408

The information about segments' assets and liabilities as at 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	937 932	854	-	938 786

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 2017	31 December 2016
Deposits placed for less than three months and on demand deposits	1 593 605	1 560 685
Bank balances payable on demand	356 722	254 011
Current accounts in the Russian Federal Treasury	20 391	35 013
Cash on hand	212	242
Total cash and cash equivalents	1 970 930	1 849 951

As at 31 December 2017, deposits were held in the deposit accounts with PAO Bank VTB, PAO Sberbank and PAO RSHB (31 December 2016: PAO Bank VTB and PAO Sberbank).

In 2017, interest income from rouble deposits was accrued at rates from 5.39% to 9.50% per annum (2016: 7.31% - 10.08% per annum), and from US dollar deposits - at 0.53% - 9.70% per annum (2016: 1.16% - 1.88% per annum).

Cash and cash equivalents are denominated in the following currencies:

	31 December 2017	31 December 2016
Russian Roubles	490 403	242 178
US Dollars	1 476 909	1 583 760
Euro	3 618	24 013
Total	1 970 930	1 849 951

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as at 31 December 2017 and 31 December 2016 as follows:

	Ba1-rated	Baa2-rated	Total
31 December 2017			
Bank balances payable on demand	356 558	164	356 722
Balances on accounts with the Treasury	20 391	-	20 391
Term deposits	1 017 603	576 002	1 593 605
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

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 2017 and 2016.

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9. Accounts Receivable and Prepayments

	31 December 2017	31 December 2016
Trade receivables	744 514	864 838
Other financial receivables	57 812	6 236
Impairment provision for receivables	(480 551)	(519 478)
Total financial receivables	321 775	351 596
Advances to suppliers and contractors	22 105	19 973
Salary advances	538	3 731
Other advances issued	1478	949
Provision for impairment of advances issued	-	(74)
Total non-financial receivables	24 121	24 579
Total receivables and prepayments	345 896	376 175

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

As at 31 December 2017, trade receivables comprised:

- tuition fees due in the amount of RR 501 137 thousand (31 December 2016: RR 620 235 thousand);
- payments for provision of property due in the amount of RR 125 718 thousand (31 December 2016: RR 117 481 thousand);
- settlements with research and development fee payers in the amount of RR 117 659 thousand (31 December 2016: RR 83 201 thousand).
- settlements with other trade receivables in the amount of RR 0 thousand (31 December 2016: RR 43 921 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 at 31 December 2017 and 31 December 2016, there were no recoverables for non-exchange transactions.

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9. Accounts Receivable and Prepayments (Continued)

Analysis by credit quality of accounts receivable is as follows:

	31 December 2017		31 December 2016	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Neither past due nor impaired:</i>				
- Government	64	-	29 471	-
- Commercial entities and individuals	116 560	3 306	203 093	742
Total neither past due nor impaired	116 624	3 306	232 564	742
<i>Past due but not impaired</i>				
- less than 30 days overdue	18 929	2 004	20 355	32
- 30 to 90 days overdue	30 076	15 886	54 907	158
- 91 to 180 days overdue	125 440	9 510	37 534	5 304
Total past due but not impaired	174 445	27 400	112 796	5 494
<i>Individually impaired</i>				
- less than 30 days overdue	-	-	2 210	-
- 30 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 181 to 360 days overdue	56 016	13 977	127 276	-
- over 360 days overdue	397 429	13 129	389 992	-
Total individually impaired	453 445	27 106	519 478	-
Less impairment provision	(453 445)	(27 106)	(519 478)	-
Total	291 069	30 706	345 360	6 236

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

	2017	2016
Provision for impairment of receivables as at 1 January	(519 478)	(305 510)
Increase in the provision recognised within surplus or deficit	(44 767)	(267 219)
Usage of provision	83 694	53 251
Provision for impairment of receivables as at 31 December	(480 551)	(519 478)

As at 31 December 2017 and 31 December 2016, the University also made provisions for impairment of advances issued in the amount of RR 0 thousand and RR 74 thousand, respectively.

10. 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 at 31 December 2017, other assets comprise cash received by the University at its temporary disposal in the amount of RR 12 170 thousand (31 December 2016: RR 16,049 thousand). 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 2017 amounted to RR 6 698 thousand (at 31 December 2016: RR 17 329 thousand).

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11. Property, Plant and Equipment

In 2017, movements in the carrying amount of property, plant and equipment were as follows:

Cost	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
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
Additions	-	-	-	218 503	88 599	6 462	4 826	906 018	1 224 408
Disposals (-)	-	-	(1 109)	(26 359)	(3 067)	-	(12 496)	-	(43 031)
FTIP transfer to the main balance sheet	-	-	-	-	-	-	-	-	-
Transfers from CIP	-	-	-	249	-	-	-	(249)	-
As at 31 December 2017	17 303 825	1 551 513	2 482 337	2 407 346	337 913	42 861	89 563	2 732 687	26 948 045
Depreciation									
As at 31 December 2016	-	(106 173)	(169 960)	(1 557 480)	(128 727)	(5 993)	(74 898)	-	(2 043 231)
Charge for the period	-	(50 323)	(80 188)	(200 414)	(46 989)	(2 923)	(5 717)	-	(386 554)
Disposal of depreciation (+)	-	-	998	21 845	2 472	121	12 499	-	37 935
As at 31 December 2017	-	(156 496)	(249 150)	(1 736 049)	(173 244)	(8 795)	(68 116)	-	(2 391 850)
Balance									
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
As at 31 December 2017	17 303 825	1 395 017	2 233 187	671 297	164 669	34 066	21 447	2 732 687	24 556 195

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11. Property, Plant and Equipment (Continued)

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

Cost	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
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

11 Property, Plant and Equipment (Continued)

Construction in progress. Construction in progress is represented by the construction and reconstruction of property, plant and equipment. Construction of property, plant and equipment is financed by equity and from FTIP. In 2017, plant and equipment purchased with FTIP was not commissioned (2016: not commissioned). 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 358 727 thousand (2016: RR 92 759 thousand).

Fully depreciated property, plant and equipment. Fully depreciated property, plant and equipment still in use amounted to RR 1 381 326 thousand as at 31 December 2017 (31 December 2016: RR 1 301 945 thousand).

12. Intangible Assets

In 2017, 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 31 December 2016	9 189	59 295	5 722	3 361	77 567
Additions	4 881	20 879	582	69	26 411
Transfers from R&D in progress	3 185	-	-	(3 185)	-
As at 31 December 2017	17 255	80 174	6 304	245	103 978
Depreciation					
As at 31 December 2016	(4 760)	(3 204)	(2 792)	-	(10 756)
Charge for the period	(1 113)	(20 742)	(966)	-	(22 821)
As at 31 December 2017	(5 873)	(23 946)	(3 758)	-	(33 577)
Balance					
As at 31 December 2016	4 429	56 091	2 930	3 361	66 811
As at 31 December 2017	11 382	56 228	2 546	245	70 401

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12. Intangible Assets (Continued)

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					
As 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

13. Accounts Payable

	31 December 2017	31 December 2016
Trade payables	45 193	32 190
Other payables	15 518	9 517
Total financial payables	60 711	41 707
Payroll payable	437 318	425 539
Total non-financial payables	437 318	425 539
Total trade and other payables	498 029	467 246

Payroll payables include future vacation accruals payable within twelve months after the reporting date in the amount of RR 422 155 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 82 984 thousand), RR 408 547 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 94 280 thousand) as at 31 December 2017 and 31 December 2016, respectively.

13. 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	2017	2016
Carrying amount as at 1 January		408 547	321 463
Increase in the provision recognised within surplus or deficit	23	13 608	87 084
Carrying amount as at 31 December		422 155	408 547

14. Taxes and Levies Payable

	31 December 2017	31 December 2016
Value-added tax payable	34 595	27 826
Land tax payable	-	33 380
Property tax payable	95	8 989
Other taxes and levies payable	72 297	1 193
Total taxes and levies payable	106 987	71 388

15. Advances Received for Non-Exchange Transactions

	31 December 2017	31 December 2016
Advances received for non-exchange transactions		
Prepayments of grants for the University development	29 859	18 471
Subsidies received to finance foreign students' travel and accommodation costs	-	26 533
Subsidies received to pay scholarships	1 835	1 150
Total advances received from non-exchange transactions	31 694	46 154

16. Advances Received for Exchange Transactions

	31 December 2017	31 December 2016
Advances received for exchange transactions		
Advances received for core activities	943 390	1 043 942
Advances received with regard to other activities	137 719	132 384
Total advances received for exchange transactions	1 081 109	1 176 326

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).

17. 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:

	2017	2016
Initial cost		
As at 1 January	24 217 303	23 581 119
Additions	554 784	649 406
Disposals	(14 410)	(13 222)
As at 31 December	24 757 677	24 217 303
Depreciation		
As at 1 January	(1 038 271)	(803 991)
Additions	(216 478)	(239 305)
Disposal of depreciation	14 410	5 025
As at 31 December	(1 240 339)	(1 038 271)
Balance		
As at 1 January	23 179 032	22 777 128
As at 31 December	23 517 338	23 179 032

In 2017, 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 358 811 thousand, and immovable and highly valuable movable property of RR 195 973 thousand, including plant and equipment of RR 146 617 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.

18. Revenue from Educational Services

	2017	2016
Fee-based main educational programmes	3 996 531	3 447 507
Fee-based additional educational programmes	1 171 015	1 255 087
Educational services provided as part of the public engagement	1 927 150	1 747 165
Total revenue from educational services	7 094 696	6 449 759

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19. Revenue from Research and Development Services

	2017	2016
Research and development services	262 482	130 846
R&D work as part of the public engagement	87 715	59 238
Total revenue from research and development services	350 197	190 084

20. Revenue from Accommodation Services to Employees and Students

	2017	2016
Students accommodation in the dormitory	19 588	33 659
Accommodation in the guest facilities	16 069	15 557
Billback of utility costs to students and employees	93 892	84 580
Additional dormitory services	184 042	186 824
Total revenue from accommodation services for employees and students	313 591	320 620

21. Other Income

	2017	2016
Resort services, vacations and health recovery for children	10 135	48 789
Healthcare services	148 795	61 759
Late payment interest on educational services	26 667	26 061
Other income	169 155	87 110
Total other income	354 752	223 719

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

	2017	2016
Subsidies for the University development	141 541	150 000
Subsidies to support young scientists	10 190	13 990
Other subsidies	133 282	58 005
Total subsidies and grants for the development of the University and acquisition of property, plant and equipment	285 013	221 995

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23. Employee Costs, Compensation under Civil Contracts, Including Insurance Contributions

	2017	2016
Salaries	4 822 635	4 107 785
Social insurance contributions accrued	1 190 371	1 052 987
Unused vacation provision	13 608	87 084
Compensation under civil contracts	29 823	38 464
Other payments	27 458	32 103
Total employee costs, compensation under civil contracts, including insurance contributions	6 083 895	5 318 423

24. Outsourced Services

	2017	2016
Utilities costs	300 030	285 940
Expenses related to repair of property, plant and equipment	211 431	230 345
Printing house services	11 127	10 139
Security, fire safety services	59 438	57 996
Property maintenance services	48 139	47 079
Legal, audit and consulting services	30 841	38 225
Transport services	40 677	29 400
Acquisition of computer software rights to use and databases	38 423	30 258
Telecommunication services	19 745	19 282
Advertising services	17 549	14 624
Other services	330 307	224 292
Total outsourced services	1 107 707	987 580

25. Taxes and Levies

	2017	2016
Land tax	68 427	134 216
Property tax	25 978	33 455
Other taxes	81 419	44 250
Total taxes and levies	175 824	211 921

26. Income Taxes

Income taxes for the year ended 31 December 2017 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 60 102 thousand. (2016: RR 38 635 thousand). Current income tax rate is 20%.

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26. Income Taxes (Continued)

(a) Components of income tax expense

	2017	2016
Current income tax expense for the year	(60 102)	(38 635)
Deferred income tax for the year	(48 063)	64 429
Total income tax expense/(benefit)	(108 165)	25 794

(b) Deferred taxes analysed by type of temporary difference

	Provisions	Accounts receivable	Accounts payable	Total deferred tax asset, net
1 January 2016	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
Recognition and reversal of temporary differences within profit or loss	2 721	(51 032)	248	(48 063)
31 December 2017	12 358	106 985	-	119 343

27. Statement of Comparison of Budget and Actual Amounts

Below is the comparison 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 2017. The financial statements and the budget have been prepared for the year ended 31 December 2017 and include all of the University's branches. The reports are based on different approaches: the budget is developed using the cash method, while financial statements are prepared on accrual basis.

	Operating activities	Investing activities	Total
Actual amounts based on comparables presented in the budget and Statement of Reconciliation of Budget and Actual Amounts	734 887	(532 655)	202 232
Differences in the basis of accounting	154 671	(139 135)	15 536
Actual amount in the Statement of Cash Flows	580 216	(393 520)	186 696

Differences in the basis of accounting comprise primarily differences in the classification of deposits placed for more than three months and the effects of exchange rate changes.

The difference between the final budget amounts and actual amounts arises from balances of unused funds at the end of the period which were used in January 2018.

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

- Decrease in actual payroll payments and accruals as compared to the planned amount by RR 304 749 thousand 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 100 609 thousand 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;

28. Statement of Comparison of Budget and Actual Amounts (Continued)

- Decrease in expenses incurred on acquisition of property, plant and equipment by RR 230 413 thousand because of tender procedures for suppliers that lead to the effective management of cost of acquired goods and services.

28. 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.

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

	Note	31 December 2017	31 December 2016
Cash and cash equivalents	8		
Deposits placed for less than three months		1 593 605	1 560 685
Current bank accounts		356 722	254 011
Current accounts in the Russian Federal Treasury		20 391	35 013
Cash on hand		212	242
Short-term bank deposits		345 601	363 941
Dual currency deposit		-	121 314
Investments held to maturity		121 169	-
Accounts receivable	9		
Trade receivables		291 069	345 360
Other financial receivables		30 706	6 236
Other assets	10	18 868	33 378
Total financial assets		2 778 343	2 720 180
Trade payables	13	45 193	32 190
Other financial payables		15 518	9 517
Other liabilities	10	12 170	16 049
Total financial liabilities		72 881	57 756

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.

28. Financial Risk Management (Continued)

In respect of receivables, the University performs the ageing analysis of outstanding receivables and follows up on past due balances (Note 9).

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.

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

	31 December 2017		31 December 2016	
	US Dollars	Euro	US Dollars	Euro
Cash and cash equivalents	1 476 909	3 618	1 583 760	24 013
Trade receivables	141 482	3 362	155 235	5 591
Other financial receivables	-	-	-	-
Short-term deposits	345 601	-	363 941	-
Investments held to maturity	121 169	-	-	-
Total financial assets / Net balance sheet position	2 085 161	6 980	2 102 936	29 604

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 2017		31 December 2016	
	Impact on surplus or deficit	Impact on net assets	Impact on surplus or deficit	Impact on net assets
US Dollar strengthening by 20%	417 032	417 032	420 587	420 587
Euro strengthening by 20%	1 396	1 396	5 921	5 921
US dollar weakening by 20%	(417 032)	(417 032)	(420 587)	(420 587)
Euro weakening by 20%	(1 396)	(1 396)	(5 921)	(5 921)

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.

28. Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2017 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	13	34 428	5 634	5 071	60	45 193
Other payables	13	8 196	5 258	2 064	-	15 518
Other liabilities	10	12 170	-	-	-	12 170
Total future payments, including future principal and interest payments		54 794	10 892	7 135	60	72 881

The maturity analysis of financial liabilities 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	13	1 255	29 844	1 021	70	32 190
Other payables	13	16	7 139	2 315	47	9 517
Other liabilities	10	16 049	-	-	-	16 049
Total future payments, including future principal and interest payments		17 320	36 983	3 336	117	57 756

29. 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.

30. 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.

The University's related parties are: members of the University Administration, Supervisory Board and Academic Council. The University does not pay remuneration to the members of Supervisory Board.

As at 31 December 2017 and 31 December 2016, there were no outstanding balances with related parties.

30. Related Parties (Continued)

The expense items with related parties for 2017 were as follows:

	University administration	Academic Council	Supervisory Board
Salaries	90 969	115 364	962

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

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

31. 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 at 31 December 2017, the University had contractual commitments to purchase property, plant and equipment for a total of RR 224 110 thousand (31 December 2016: RR 528 097 thousand).