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

International Public Sector Accounting Standards Financial Statements

31 December 2018

CONTENTS

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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 2018, 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 2018;
- 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, which include significant accounting policies and other explanatory information.

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.

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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 IFRS, 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 financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

AO PricewaterhouseCoopers Audit

29 July 2019

Moscow, Russian Federation

D.P. Derevyankin, certified auditor (licence no. 01-001581), AO PricewaterhouseCoopers Audit

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

Record made in the Unified State Register of Legal Entities on 16 September 2002 under State Registration Number 1027739189323

117198, Russian Federation, Moscow, Miklukho-Maklaya str., 6

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Federal State Autonomous Educational Institution of Higher Education
Peoples' Friendship University of Russia
Statement of Financial Position as at 31 December 2018
(in thousands of Russian Roubles unless otherwise stated)

	Note	31 December 2018	31 December 2017
Assets			
Current assets			
Cash and cash equivalents	8	1,869,244	1,970,930
Short-term deposits		730,000	345,601
Investments held to maturity		-	121,169
Accounts receivable and prepayments	9	444,404	345,896
Taxes and levies receivable		29,460	46,356
Income tax receivable		68,007	787
Inventories		199,333	48,748
Other assets	10	202,759	19,743
Total current assets		**3,543,207**	**2,899,230**
Non-current assets			
Property, plant and equipment	11	25,469,555	24,556,195
Intangible assets	12	57,443	70,401
Prepayments for property, plant and equipment		-	6,676
Investments in associates		1,318	403
Deferred tax assets	26	131,413	119,343
Total non-current assets		**25,659,729**	**24,753,018**
Total assets		**29,202,936**	**27,652,248**
Liabilities			
Current liabilities			
Accounts payable	13	700,739	498,029
Taxes and levies payable	14	45,170	106,987
Advances received for non-exchange transactions	15	213,261	31,694
Advances received for exchange transactions	16	1,151,266	1,081,109
Other liabilities	10	73,080	12,170
Total liabilities		**2,183,516**	**1,729,989**
Settlements with the founder	17	23,865,263	23,517,338
Accumulated surplus		3,154,157	2,404,921
Total net assets		**27,019,420**	**25,922,259**
TOTAL LIABILITIES AND NET ASSETS		**29,202,936**	**27,652,248**

Approved for issue and signed on 29 July 2019.

Filippov V.M.
Rector

Zorin A.V.
Chief Accountant

The accompanying notes on pages 6 to 37 are an integral part of these financial statements.

(in thousands of Russian Roubles unless otherwise stated)

	Note	2018	2017
Inflows (income)			
REVENUE FROM EXCHANGE TRANSACTIONS		**9,496,150**	**8,335,991**
Educational services	18	8,063,515	7,094,696
Research and development services	19	348,471	350,197
Accommodation services to employees and students	20	359,727	313,591
Rent of premises		336,193	222,755
Other income	21	388,244	354,752
REVENUE FROM NON-EXCHANGE TRANSACTIONS		**1,533,646**	**1,416,997**
Subsidies and donations for scholarships		458,062	362,482
Budget appropriations under the FTIP		495,138	745,821
Subsidies and grants for the development of the University and acquisition of property, plant and equipment	22	559,556	285,013
Subsidies for social aid payments to general public		20,890	23,681
Total inflows (income)		**11,029,796**	**9,752,988**
Expense			
Employee costs, compensation under civil contracts, including insurance contributions	23	(7,115,171)	(6,083,895)
Outsourced services	24	(1,464,963)	(1,107,707)
Scholarships and transfers to general public		(499,753)	(378,797)
Cost of raw materials and consumables used		(350,581)	(451,901)
Taxes and levies	25	(182,373)	(175,824)
Depreciation of property, plant and equipment	11	(409,517)	(386,554)
Impairment and write-off of receivables		(38,050)	(60,372)
Amortisation of intangible assets	12	(25,319)	(22,821)
Other expenses		(131,524)	(155,303)
Total expenses		**(10,217,251)**	**(8,823,174)**
Interest income		150,477	100,279
Exchange differences		212,458	(100,956)
Share of net deficit of associates		946	(3)
Net surplus for the period before taxes		**1,176,426**	**929,134**
Income Tax income/ (expense)	26	(79,265)	(108,165)
Net surplus for the period		**1,097,161**	**820,969**

The accompanying notes on pages 6 to 37 are an integral part of these financial statements.

(in thousands of Russian Roubles unless otherwise stated)

	Note	Settlements with the founder	Accumulated surplus	Total
Balance at 1 January 2017		**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**
Surplus for the period		-	1,097,161	**1,097,161**
Depreciation of property plant and equipment under operative management	17	(219,646)	219,646	**-**
Additions to property, plant and equipment	17	567,571	(567,571)	**-**
Balance at 31 December 2018		**23,865,263**	**3,154,157**	**27,019,420**

(in thousands of Russian Roubles unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Surplus for the period before taxes		1,176,426	929,134
Adjustments for:			
Budget appropriation under the FTIP		(495,138)	(745,821)
Depreciation of property, plant and equipment	11	409,517	386,554
Amortisation of intangible assets	12	25,319	22,821
Impairment and write-off of receivables		38,050	60,372
Loss from disposal of property, plant and equipment and intangible assets		1,109	5,096
Foreign exchange (gains) / losses		(212,458)	100,956
Interest income		(150,477)	(100,279)
Share of net deficit of associates		(946)	3
Other non-cash operating expenses		30	14
Operating cash flows before working capital changes		**791,432**	**658,850**
Increase in accounts receivable, prepayments and other current assets		(313,664)	(5,887)
(Increase) / decrease in inventories		(150,585)	23,085
Increase / (decrease) in accounts payable and prepayments received for exchange and non-exchange transactions		512,666	(84,028)
(Decrease) / increase in taxes and levies payable		(44,919)	12,486
Changes in working capital		**3,498**	**(54,344)**
Income tax paid		(158,556)	(24,290)
Net cash from operating activities		**636,374**	**580,216**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(822,173)	(441,111)
Placement of bank deposits		(1,517,319)	(669,378)
Proceeds from recovery of deposits and repayment of loans originated		1,190,837	764,270
Acquisition of investments held to maturity		(6,965,336)	(118,500)
Disposal of investments held to maturity		7,089,184	-
Acquisition of intangible assets		(12,361)	(26,411)
Interest income received		150,477	97,610
Net cash used in investing activities		**(886,691)**	**(393,520)**
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		148,632	(65,717)
Cash and cash equivalents at the beginning of the year	**8**	**1,970,929**	**1,849,951**
Net increase in cash		(101,685)	120,979
Cash and cash equivalents at the end of the year	**8**	**1,869,244**	**1,970,930**

(in thousands of Russian Roubles unless otherwise stated)

2018	**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	494,594	494,591	494,591	-
Revenues from fee-based services	260,494	300,466	285,775	14,691
Income from interest, penalties and other enforced collections	6,277,483	6,718,759	6,735,029	(16,270)
Gains on transactions with assets	5,000	712	646	66
Other income, including:	5,520	40,523	40,260	263
subsidies for fulfilment of government programme	3,428,042	3,861,823	3,829,595	32,228
subsidies for other purposes	2,326,114	2,627,920	2,627,920	-
other income	907,304	958,935	958,935	-
Total inflows	**10,471,133**	**11,416,874**	**11,385,896**	**30,978**
OUTFLOWS				
Payroll payments (Note 27)	(6,773,181)	(7,086,707)	(7,046,052)	(40,655)
Purchase of services, including:	(1,880,893)	(1,912,343)	(1,857,512)	(54,831)
telecommunications services	(21,139)	(25,402)	(20,461)	(4,941)
transport services	(59,604)	(93,349)	(91,166)	(2,183)
utilities costs	(393,471)	(335,455)	(323,861)	(11,594)
rent for the use of property	(4,681)	(4,790)	(4,754)	(36)
property maintenance (Note 27)	(626,396)	(486,334)	(454,247)	(32,087)
other services	(775,602)	(967,013)	(963,023)	(3,990)
Taxes paid	(117,487)	(87,080)	(84,084)	(2,996)
Social security	(492,644)	(520,354)	(516,219)	(4,135)
Expenses incurred on acquisition of non-financial assets, including:	(1,423,111)	(2,013,480)	(1,808,561)	(204,919)
property, plant and equipment (Note 27)	(1,102,124)	(1,462,407)	(1,318,029)	(144,378)
intangible assets	(5,623)	(51,911)	(3,658)	(48,253)
Inventories	(315,364)	(499,162)	(486,874)	(12,288)
Total outflows	**(10,687,316)**	**(11,619,964)**	**(11,312,428)**	**(307,536)**
NET INFLOWS / (OUTFLOWS)	**(216,183)**	**(203,090)**	**73,468**	**(276,558)**

(in thousands of Russian Roubles unless otherwise stated)

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 2018, the University had one branch in the Russian Federation: The Sochi Institute (Branch) of RUDN University (31 December 2017: one branch).

The University has investments in associates with an interest of 20%-35%. The number of associates as at 31 December 2018 totalled 7 entities (31 December 2017: 12 entities). During the 2018 year 5 companies were liquidated. 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 2018	**31 December 2017**
Alpfananotech OJCS	32%	32%
Meristema LLC	35%	35%
Perevod + LLC	-	35%
MIATS RUDN LLC	-	35%
Logos LLC	-	35%
Design Studio LLC	35%	35%
AMANI LLC	35%	35%
Militest LLC	35%	35%
Innovative management systems LLC	25%	25%
VETF LLC	25%	25%
Accounting Firm 22 LLC	-	35%
RUDN Consult Company LLC	-	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).

(in thousands of Russian Roubles unless otherwise stated)

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 2017	65.9014	58.3529
As at 31 December 2017	68.8668	57.6002
Weighted average for 2018	74.1330	62.9264
As at 31 December 2018	79.4605	69.4706

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.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.

3. Summary of Significant Accounting Policies (Continued)

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 in the category "loans and receivables", which includes bank deposits, trade and other accounts receivable, cash and cash equivalents, and also in the category "investments held for maturity", which consist of bonds.

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.

The category "investments held to maturity" includes non-derivative financial assets quoted in the market with fixed or determinable payments and fixed maturities for which the University management has the intention and ability to hold them to maturity. Management classifies investment securities as investments held to maturity at the time of their initial recognition and assesses the reasonableness of their classification as this category at each reporting date. The structure of held to maturity assets of the University includes bonds. Income from the redemption of bonds is reflected in the statement of financial performance as part of financial income, and turnovers for their acquisition and disposals are reflected in the statement of cash flows — on full basis.

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.

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).

3. Summary of Significant Accounting Policies (Continued)

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.

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 are arise.

3. Summary of Significant Accounting Policies (Continued)

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.

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.

3. Summary of Significant Accounting Policies (Continued)

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 biding 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.

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.

3. Summary of Significant Accounting Policies (Continued)

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.

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.

3. Summary of Significant Accounting Policies (Continued)

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.

Revenues from other fee-based services are recognised in the reporting period in which the services were 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 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.

3. Summary of Significant Accounting Policies (Continued)

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 2018 and 31 December 2017, the University's related parties included:

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

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

These requirements are met by the University during the reporting period. Income taxes for 2017-2018 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.

3. Summary of Significant Accounting Policies (Continued)

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.

4. 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 2018 to 31 December 2018 and all the branches of the University.

Budget classification methods include classifications by the following analysts:

1. By financing sources:

(i) Subsidy for the state 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.

5. New Accounting Pronouncements

IPSAS 39, Standard Employee Benefits, became mandatory for annual periods starting from 01 January.

The new IPSAS 39, Employee Benefits does not have a significant impact on the consolidated financial statements. IPSAS 40, Consolidation of public sector organizations, which is mandatory for the University's annual periods beginning on 1 January 2019, does not apply to the University.

In August 2018, IPSAS 41, Financial Instruments was published, which establishes new requirements for the classification, recognition and measurement of financial instruments, to replace IPSAS 29, Financial Instruments: Recognition and Measurement. The new standard is mandatory for annual periods of the University, starting from 1 January 2022. At the moment, the University is assessing the impact of the new standard.

IPSAS 42, Social benefits is mandatory for the University's annual periods starting from 1 January 2022. At the moment, the University is assessing the impact of the new standard.

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 2018 would be to increase it by RR 40,952 thousand (2017: increase by RR 38,655 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.For management purposes, the University is divided into business units (branches) based on geography. For the purpose of preparing financial statements, one reporting segment of RUDN Moscow is allocated. The management of the University does not single out other branches into separate segments due to their immateriality.

(in thousands of Russian Roubles unless otherwise stated)

7. Segment Information (Continued)

The information about segments' revenues and expenses in 2018 is presented below:

	Moscow	Other	Unallocated	Total
Segment revenue, total:	10,858,864	170,932	-	11,029,796
budget subsidies	4,027,736	-	-	4,027,736
proceeds from external sources	6,831,128	166,800	-	6,997,928
transfers between segments	-	4,132	-	4,132
Segment expenses	(9,859,393)	(147,809)	(75,910)	(10,083,112)
Interest income	-	-	150,477	150,477
Segment surplus	**999,471**	**23,123**	**74,567**	**1,097,161**

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' assets and liabilities as at 31 December 2018 and segments' capital expenditure for 2018 is presented below:

	Moscow	Other	Unallocated	Total
Assets	28,117,304	886,210	199,422	**29,202,936**
Segment liabilities	2,118,402	65,114	-	**2,183,516**
Capital expenditure	1,331,107	2,424	-	**1,333,531**

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**

(in thousands of Russian Roubles unless otherwise stated)

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 2018	31 December 2017
Deposits placed for less than three months and on demand deposits	1,428,000	1,593,605
Bank balances payable on demand	352,908	356,722
Current accounts in the Russian Federal Treasury	88,056	20,391
Cash on hand	280	212
Total cash and cash equivalents	**1,869,244**	**1,970,930**

As at 31 December 2018, deposits were held in the deposit accounts with PAO Bank VTB, PAO Sberbank,PAO RSHB, AO Raiffeisenbank and AO GPB (31 December 2017: PAO Bank VTB, PAO Sberbank and PAO RSHB).

In 2018, interest income from rouble deposits was accrued at rates from 5.00% to 10.55% per annum (2017: 5.39% - 9.50% per annum), and from US dollar deposits - at 1.00% - 19.50% per annum (2017: 0.53% - 9.70% per annum).

Cash and cash equivalents are denominated in the following currencies:

	31 December 2018	31 December 2017
Russian Roubles	1,111,016	490,403
US Dollars	541,395	1,476,909
Euro	216,833	3,618
Total	**1,869,244**	**1,970,930**

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as at 31 December 2018 and as at 31 December 2017:

	Rating Ba1	Rating Baa3	Without rating	Total
31 December 2018				
Bank balances payable on demand	325	352,583	-	**352,908**
Balances on accounts with the Treasury	-	-	88,056	**88,056**
Term deposits	784,213	643,787	-	**1,428,000**

	Rating Ba1	Rating Baa2	Without rating	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**

(in thousands of Russian Roubles unless otherwise stated)

9. Accounts Receivable and Prepayments

	31 December 2018	**31 December 2017**
Trade receivables	714,688	744,514
Other financial receivables	87,667	57,812
Impairment provision for receivables	(377,075)	(480,551)
Total financial receivables	**425,280**	**321,775**
Advances to suppliers and contractors	17,758	22,105
Salary advances	121	538
Other advances issued	1,245	1,478
Provision for impairment of advances issued	-	-
Total non-financial receivables	**19,124**	**24,121**
Total receivables and prepayments	**444,404**	**345,896**

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

As at 31 December 2018, trade receivables comprised:

- tuition fees due in the amount of RR 445,961 thousand (31 December 2017: RR 501,137 thousand);
- payments for provision of property due in the amount of RR 148,369 thousand (31 December 2017: RR 125,718 thousand);
- settlements with research and development fee payers in the amount of RR 120,358 thousand (31 December 2017: RR 117,659 thousand).
- settlements with other trade receivables for primary activities in the amount of RR 87,667 thousand (31 December 2017: RR 0 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 2018 and 31 December 2017, there were no recoverables for non-exchange transactions.

(in thousands of Russian Roubles unless otherwise stated)

9. Accounts Receivable and Prepayments (Continued)

Analysis by credit quality of accounts receivable is as follows:

	31 December 2018		31 December 2017	
	Trade receivables	**Other financial receivables**	**Trade receivables**	**Other financial receivables**
Neither past due nor impaired:				
- Government	8,481	-	64	-
- Commercial entities and individuals	138,781	1,642	116,560	3,306
Total neither past due nor impaired	**147,262**	**1,642**	**116,624**	**3,306**
Past due but not impaired				
- less than 30 days overdue	92,526	20,024	18,929	2,004
- 30 to 90 days overdue	59,977	54,349	30,076	15,886
- 91 to 180 days overdue	49,487	13	125,440	9,510
Total past due but not impaired	**201,990**	**74,386**	**174,445**	**27,400**
Individually impaired				
- 181 to 360 days overdue	3,947	-	56,016	13,977
- over 360 days overdue	361,488	11,640	397,429	13,129
Total individually impaired	**365,435**	**11,640**	**453,445**	**27,106**
Less impairment provision	(365,435)	(11,640)	(453,445)	(27,106)
Total	**349,252**	**76,028**	**291,069**	**30,706**

(in thousands of Russian Roubles unless otherwise stated)

9. Accounts Receivable and Prepayments (Continued)

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

	2018	2017
Provision for impairment of receivables as at 1 January	**(480,551)**	**(519,478)**
Increase in the provision recognised within surplus or deficit	(103,341)	(44,767)
Usage of provision	206,816	83,694
Provision for impairment of receivables as at 31 December	**(377,076)**	**(480,551)**

As at 31 December 2018 and 31 December 2017, the University also made provisions for impairment of advances issued in the amount of RR 0 thousand and RR 0 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 2018, other assets comprise cash received by the University at its temporary disposal in the amount of RR 73,080 thousand (31 December 2017: RR 12,170 thousand). Corresponding amounts were recognised within other liabilities.

Restricted cash is placed with the Treasury.

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 2018 amounted to RR 128,247 thousand (at 31 December 2017: RR 6,698 thousand).

(in thousands of Russian Roubles unless otherwise stated)

11. Property, Plant and Equipment

In 2018, movements in the carrying amount of property, plant and equipment were as follows:

	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
Cost									
As at 31 December 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**
Additions	37	-	-	359,700	300,056	2,983	24,444	646,311	**1,333,531**
Disposals	-	-	-	(35,196)	(4,040)	-	-	(9,545)	**(48,781)**
As at 31 December 2018	**17,303,862**	**1,551,513**	**2,482,337**	**2,731,850**	**633,929**	**45,844**	**114,007**	**3,369,453**	**28,232,795**
Depreciation									
As at 31 December 2017	**-**	**(156,496)**	**(249,150)**	**(1,736,049)**	**(173,244)**	**(8,795)**	**(68,116)**	**-**	**(2,391,850)**
Charge for the period	-	(47,066)	(74,554)	(221,312)	(56,362)	(2,581)	(7,642)	-	**(409,517)**
Disposal of depreciation	-	-	-	35,125	3,002	-	-	-	**38,127**
As at 31 December 2018	**-**	**(203,562)**	**(323,704)**	**(1,922,236)**	**(226,604)**	**(11,376)**	**(75,758)**	**-**	**(2,763,240)**
Balance									
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**
As at 31 December 2018	**17,303,862**	**1,347,951**	**2,158,633**	**809,614**	**407,325**	**34,468**	**38,249**	**3,369,453**	**25,469,555**

(in thousands of Russian Roubles unless otherwise stated)

11. Property, Plant and Equipment (Continued)

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

	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Construction in progress	Total
Cost									
As at 31 December 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**

(in thousands of Russian Roubles unless otherwise stated)

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 2018, plant and equipment purchased with FTIP was not commissioned (2017: 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 470,183 thousand (2017: RR 358,727 thousand).

Fully depreciated property, plant and equipment. Fully depreciated property, plant and equipment still in use amounted to RR 1,687,642 thousand as at 31 December 2018 (31 December 2017: RR 1,381,326 thousand).

12. Intangible Assets

In 2018, 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 2017	**17,255**	**80,174**	**6,304**	**245**	**103,978**
Additions	-	12,050	311	-	12,361
As at 31 December 2018	**17,255**	**92,224**	**6,615**	**245**	**116,339**
Depreciation					
As at 31 December 2017	**(5,873)**	**(23,946)**	**(3,758)**	**-**	**(33,577)**
Charge for the period	(2,125)	(23,100)	(94)	-	(25,319)
As at 31 December 2018	**(7,998)**	**(47,046)**	**(3,852)**	**-**	**(58,896)**
Balance					
As at 31 December 2017	**11,382**	**56,228**	**2,546**	**245**	**70,401**
As at 31 December 2018	**9,257**	**45,178**	**2,763**	**245**	**57,443**

(in thousands of Russian Roubles unless otherwise stated)

12. Intangible Assets (Continued)

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**

13. Accounts Payable

	31 December 2018	31 December 2017
Trade payables	81,453	45,193
Other payables	5,578	15,518
Total financial payables	**87,031**	**60,711**
Payroll payable	613,708	437,318
Total non-financial payables	**613,708**	**437,318**
Total trade and other payables	**700,739**	**498,029**

Payroll payables include future vacation accruals payable within twelve months after the reporting date in the amount of RR 608,334 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 118,478 thousand), RR 422,155 thousand (including liabilities accrued on insurance contributions for mandatory social insurance of RR 82,984 thousand) as at 31 December 2018 and 31 December 2017, respectively.

(in thousands of Russian Roubles unless otherwise stated)

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	2018	2017
Carrying amount as at 1 January		**422,155**	**408,547**
Increase in the provision recognised within surplus or deficit	23	186,179	13,608
Carrying amount as at 31 December		**608,334**	**422,155**

14. Taxes and Levies Payable

	31 December 2018	31 December 2017
Value-added tax payable	45,047	34,595
Land tax payable	6	-
Property tax payable	111	95
Other taxes and levies payable	6	72,297
Total taxes and levies payable	**45,170**	**106,987**

15. Advances Received for Non-Exchange Transactions

	31 December 2018	31 December 2017
Advances received for non-exchange transactions		
Prepayments of grants for the University development	152,653	29,859
Subsidies received to pay scholarships	60,608	1,835
Total advances received from non-exchange transactions	**213,261**	**31,694**

16. Advances Received for Exchange Transactions

	31 December 2018	31 December 2017
Advances received for exchange transactions		
Advances received for core activities	838,262	943,390
Advances received with regard to other activities	313,004	137,719
Total advances received for exchange transactions	**1,151,266**	**1,081,109**

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).

(in thousands of Russian Roubles unless otherwise stated)

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:

	2018	2017
Initial cost		
As at 1 January	**24,757,677**	**24,217,303**
Additions	567,571	554,784
Disposals	(14,332)	(14,410)
As at 31 December	**25,310,916**	**24,757,677**
Depreciation		
As at 1 January	**(1,240,339)**	**(1,038,271)**
Additions	(219,646)	(216,478)
Disposal of depreciation	14,332	14,410
As at 31 December	**(1,445,653)**	**(1,240,339)**
Balance		
As at 1 January	**23,517,338**	**23,179,032**
As at 31 December	**23,865,263**	**23,517,338**

In 2018, 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 470,183 thousand, and immovable and highly valuable movable property of RR 97,388 thousand, including plant and equipment of RR 92,150 thousand.

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.

18. Revenue from Educational Services

	2018	2017
Fee-based main educational programmes	4,481,948	3,996,531
Fee-based additional educational programmes	1,025,968	1,171,015
Educational services provided as part of the public engagement	2,555,599	1,927,150
Total revenue from educational services	**8,063,515**	**7,094,696**

(in thousands of Russian Roubles unless otherwise stated)

19. Revenue from Research and Development Services

	2018	2017
Research and development services	276,149	262,482
R&D work as part of the public engagement	72,322	87,715
Total revenue from research and development services	**348,471**	**350,197**

20. Revenue from Accommodation Services to Employees and Students

	2018	2017
Students accommodation in the dormitory	10,664	19,588
Accommodation in the guest facilities	2,570	16,069
Billback of utility costs to students and employees	115,862	93,892
Additional dormitory services	230,631	184,042
Total revenue from accommodation services for employees and students	**359,727**	**313,591**

21. Other Income

	2018	2017
Resort services, vacations and health recovery for children	11,178	10,135
Healthcare services	166,516	148,795
Late payment interest on educational services	32,644	26,667
Other income	177,906	169,155
Total other income	**388,244**	**354,752**

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

	2018	2017
Subsidies for the University development	417,547	141,541
Subsidies to support young scientists	1,200	10,190
Other subsidies	140,809	133,282
Total subsidies and grants for the development of the University and acquisition of property, plant and equipment	**559,556**	**285,013**

(in thousands of Russian Roubles unless otherwise stated)

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

	2018	**2017**
Salaries	5,465,654	4,822,635
Social insurance contributions accrued	1,373,951	1,190,371
Unused vacation provision	196,215	13,608
Compensation under civil contracts	27,310	29,823
Other payments	52,041	27,458
Total employee costs, compensation under civil contracts, including insurance contributions	**7,115,171**	**6,083,895**

24. Outsourced Services

	2018	**2017**
Utilities costs	317,578	300,030
Expenses related to repair of property, plant and equipment	247,503	211,431
Printing house services	14,129	11,127
Security, fire safety services	63,503	59,438
Property maintenance services	87,811	48,139
Legal, audit and consulting services	37,703	30,841
Transport services	41,082	40,677
Acquisition of computer software rights to use and databases	63,790	38,423
Telecommunication services	20,301	19,745
Advertising services	18,173	17,549
Other services	553,390	330,307
Total outsourced services	**1,464,963**	**1,107,707**

25. Taxes and Levies

	2018	**2017**
Land tax	66,378	68,427
Property tax	33,142	25,978
Other taxes	82,853	81,419
Total taxes and levies	**182,373**	**175,824**

26. Income Taxes

Income taxes for the year ended 31 December 2018 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 91,335 thousand. (2017: RR 60,102 thousand). Current income tax rate is 20%.

(in thousands of Russian Roubles unless otherwise stated)

26. Income Taxes (Continued)

(a) Components of income tax expense

	2018	2017
Current tax expense for the year	(91,335)	(60,102)
Revenues / (expenses) on deferred income tax	12,070	(48,063)
Total income tax expense/(benefit)	**(79,265)**	**(108,165)**

(b) Deferred taxes analysed by type of temporary difference

	Provisions	Accounts receivable	Accounts payable	Total deferred tax asset, net
1 January 2017	**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**
Recognition and reversal of temporary differences within profit or loss	24,974	(12,904)	-	12,070
31 December 2018	**37,332**	**94,081**	**-**	**131,413**

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 2018. The financial statements and the budget have been prepared for the year ended 31 December 2018 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	1,395,154	(1,321,687)	**73,467**
Differences in the basis of accounting	758,780	(434,996)	**323,784**
Actual amount in the Statement of Cash Flows	636,374	(886,691)	**(250,317)**

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

- An increase in actual income from asset revaluation in the amount of RR 207,754 thousand caused by the effective management of financial assets in terms of cash allocated to foreign currency deposits and is associated with the positive impact of changes in exchange rates;
- An increase in the actual value of securities in comparison with the planned indicator by RR 123,848 thousand due to increased efficiency with this type of assets and due to partial redemption of the value of securities in the reporting period.

(in thousands of Russian Roubles unless otherwise stated)

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 2018**	**31 December 2017**
Cash and cash equivalents	**8**		
Deposits placed for less than three months		1,428,000	1,593,605
Current bank accounts		352,908	356,722
Current accounts in the Russian Federal Treasury		88,056	20,391
Cash on hand		280	212
Short-term bank deposits		730,000	345,601
Investments held to maturity		-	121,169
Accounts receivable	**9**		
Trade receivables		349,252	291,069
Other financial receivables		76,028	30,706
Other assets	10	201,327	18,868
Total financial assets		**3,225,851**	**2,778,343**
Trade payables	13	81,453	45,193
Other financial payables		5,578	15,518
Other liabilities	10	73,080	12,170
Total financial liabilities		**160,111**	**72,881**

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

Bank deposits and cash and cash equivalents represent the most significant financial assets of the University. University management controls the credit risk by establishing the list of banks where the University can deposit cash and cash equivalents. The analysis of cash and cash equivalents by their credit quality is presented in Note 8.

(in thousands of Russian Roubles unless otherwise stated)

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 2018		**31 December 2017**	
	US Dollars	**Euro**	**US Dollars**	**Euro**
Cash and cash equivalents	541,395	216,833	1,476,909	3,618
Trade receivables	178,148	38,303	141,482	3,362
Other financial receivables	989	6	-	-
Short-term deposits			345,601	-
Investments held to maturity	-	-	121,169	-
Total financial assets / Net balance sheet position	**720,532**	**255,142**	**2,085,161**	**6,980**

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 2018		**31 December 2017**	
	Impact on surplus or deficit	**Impact on net assets**	**Impact on surplus or deficit**	**Impact on net assets**
US Dollar strengthening by 20%	144,106	144,106	417,032	417,032
Euro strengthening by 20%	51,028	51,028	1,396	1,396
US dollar weakening by 20%	(144,106)	(144,106)	(417,032)	(417,032)
Euro weakening by 20%	(51,028)	(51,028)	(1,396)	(1,396)

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.

(in thousands of Russian Roubles unless otherwise stated)

28. Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2018 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	1,697	79,756	-	-	**81,453**
Other payables	13	2,096	3,482	-	-	**5,578**
Other liabilities	10	73,080	-	-	-	**73,080**
Total future payments, including future principal and interest payments		**76,873**	**83,238**	**-**	**-**	**160,111**

The maturity analysis of financial liabilities 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**

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 2018 and 31 December 2017, there were no outstanding balances with related parties.

(in thousands of Russian Roubles unless otherwise stated)

30. Related Parties (Continued)

The expense items with related parties for 2018 were as follows:

	University administration	Academic Council	Supervisory Board
Salaries	117,271	164,468	5,485

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

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

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 2018, the University had contractual commitments to purchase property, plant and equipment for a total of RR 47,458 thousand (31 December 2017: RR 224,110 thousand).