



University of Science
and Technology

International Public Sector
Accounting Standards

Financial Statements and Independent Auditor's Report

31 December 2019

**Federal State Autonomous Educational Institution for Higher Education
The National University of Science and Technology “MISiS”**

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT**

31 December 2019

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MESSAGE FROM THE RECTOR



Dear Colleagues and Partners:

I am pleased to present the annual financial report of NUST MISiS for 2019.

NUST MISiS (or the University) comprises ten colleges, six branches (four are in Russia, while two are abroad), and a representative office.

In FY 2019 the University's comprehensive income and net assets amounted to 7,609 million rubles and 26,201 million rubles, respectively. At the end of that year the liquidity of NUST MISiS was high, which is evidenced by outstanding balances of cash in the bank accounts in the amount of 35% of annual revenue and by the low level of liabilities equal to 8% of the balance sheet total.

The 2019 enrollment campaign was the most successful in recent years, given that the average score on the Unified State Examination among enrolled applicants was 86.6 (versus 82.8 in 2018). Since 2012 the average score increased by more than 19.

NUST MISiS attracts talented students and ensures that they have enhanced opportunities to obtain high-quality education and are immersed in research and developmental activities.

Operating on the principle of Student First, the University provides an inspiring international ecosystem that enables students to realize their full potential.

In 2019 NUST MISiS students won and were also awarded prizes in several Russian and international competitions. The University's Student Council received a collective award for quality of education in the context of the Russian Student of the Year competition.

In 2019 NUST MISiS spent 1,095 million rubles on infrastructure, which was 8% more than in 2018.

In October 2019 NUST MISiS defended its roadmap implementation plan and was recognized as one of the absolute leaders in Russia's 5-100 Enhancement of International Competitiveness Program. The University improved its position in the Top 500 of the world's best universities, rising to the 451st position in the QS institutional rating. NUST MISiS placed in 21 industrial and subject ratings. According to QS, the University was one of the Top 50 best Engineering—Mineral & Mining universities in the world, and ARWU rated it in the Top 100 in Metallurgical Engineering. The QS rating of Materials Science placed the University in the category of 101+, and it emerged as the leader in this subject among Russian universities.

Government authorities and external experts highly praised the success of the NUST MISiS in 2019. According to an Executive Decree of the Russian Federation dated 5 April, the University received a commendation from President Vladimir Putin for its contribution to research and pedagogy and the education of highly qualified professionals.

In 2020 Russian institutions of higher education are challenged to achieve goals articulated in various national projects, such as Education, Science, and Digital Economy. NUST MISiS actively develops advanced R&D infrastructure with a focus on the integration of science and learning, enhances its global competitiveness, recruits Russian and international students and researchers, and educates future sciences and engineers, as well as leaders of the digital economy, who have a deep understanding of innovative technologies and with flexible skills for solving the most important global scientific and technological challenges.

NUST MISiS strives to ensure digital transformation not only by implementing new educational techniques, online instruments, and Big Data solutions but also by establishing a Smart Campus, an essential part of which is a comprehensive communications network, entitled MISiS World.

In conclusion, I would like to express my gratitude to NUST MISiS students, teachers, scientists, and staff for their contribution to the University's development as well as for their achievements and triumphs in 2019. I am especially grateful to the Board of Trustees, expert advisors, business partners, and alumni for their support of our initiatives and involvement in the life of the University.



A.A. Chernikova
Rector, NUST MISiS

FINANCIAL REVIEW

1. Key financial results

In 2019, NUST MISiS generated a positive net cash flow from operating activities in the amount of RUB 833,877 thousand, whereas a positive net cash flow from all types of activities amounted to RUB 382,127 thousand.

According to the statement of financial performance, sales revenue amounted to RUB 7,609,157 thousand (+ 4% or RUB 276,667 thousand) due to an increase in revenue from educational activities.

In 2019, net assets of the University grew by 3% to RUB 26,200,899 thousand. Accumulated surplus increased by 53% to RUB 2,569,338 thousand. Current assets grew by 28% to RUB 3,518,885 thousand due to an increase in cash balances and accounts receivable for R&D contracts executed in December 2019 (final settlements will take place in 2020) and due to an 85% growth of the Endowment Fund's investment portfolio.

The current liquidity ratio of 1.55 shows that the University has a sufficient level of liquidity to settle its current liabilities (current assets exceed current liabilities by 55%). The University is independent from the sources of external financing, which is confirmed by a solvency ratio of 0.92 (a standard ratio is 0.5 and higher).

2. Academic Excellence Project (Competitiveness Enhancement Program)

Academic Excellence Project (the Project) is a project of the Russian Government aimed at a significant increase of the competitive positions of the leading Russian universities in the global market of educational services and research programs. The University joined the Academic Excellence Project in 2013.

The Project allows the University to grow into a world-class university in key areas of research, education, and management.

In October 2019, NUST MISiS presented its report on implementing the Project in 2018 and a plan for 2019 to the Council on Global Competitiveness Enhancement of Russian Universities among Global Leading Research and Education Centers. The results demonstrated by NUST MISiS in 2016-2018 were highly praised by the experts of the Council. NUST MISiS was ranked in the leading group of universities participating in the Project 5-100 with the maximum amount of financing of RUB 860,956 thousand in 2019.

In the course of the Project (2013-19), NUST MISiS transformed into an international cross-disciplinary scientific and technology center. In 2019, over 40% of all scientific papers were prepared by the University's scientists together with the foreign researchers. Over 100 academic employees attracted in the course of the Project conducted successful researches in the University's laboratories in 2019. In 2013-19, its Hirsch index grew from 41 to 84.

In 2019, NUST MISiS improved its position in Top-500 of QS World University Rankings and moved from 476 to 451.

The University also improved its positions in the following ratings:

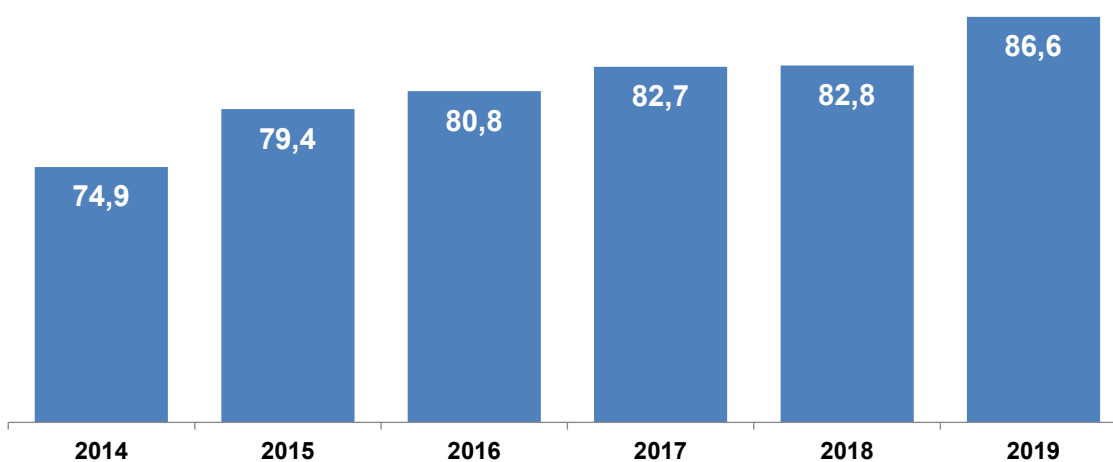
- 273 position in QS – Engineering & Technology (2018: 367);
- 362 position in QS – Natural Sciences (2018: 451-500).
- 101-150 position in QS Material Science (2018: 201-250);
- 201-250 position in QS Mechanical, Aeronautical & Manufacturing (2018: 251-300);
- 301-350 position in QS Physics & Astronomy (2018: 351-400).

3. Educational services

In 2019, the University had 18,986 students, including 13,248 in the higher education programs, 1,396 in the secondary vocational education program, and 4,342 in the additional education programs.

From year to year, the University attracts better-prepared and more determined students. Enrollment campaign of 2019 became the most successful in recent years for NUST MISiS. In 2012, an average score of the Uniform State Exam was 74.9, whereas as a result of enrollment campaign of 2019 it grew to 86.6 out of 100.

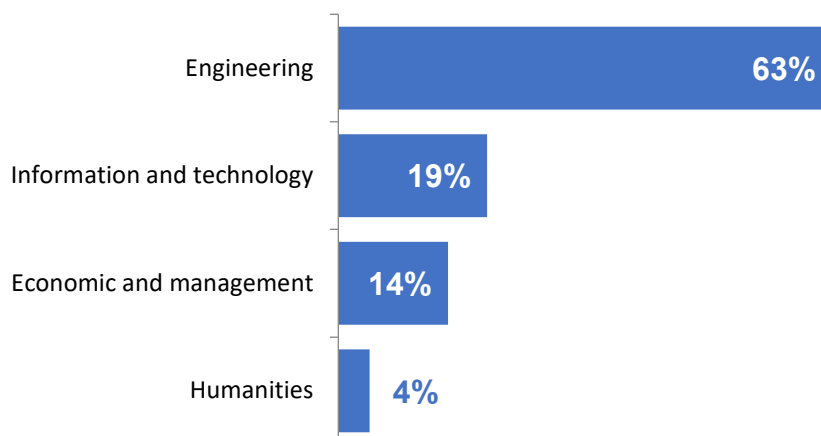
Figure 1. Growth of average score of the Uniform State Exam of the NUST MISiS applicants by year



3. Educational services (continued)

NUST MISiS actively promotes Russian education abroad. Therefore, over 22% of the University's students are international students from 84 countries. International students also study at the University's international branches in Tajikistan (Dushanbe) and Uzbekistan (Almalyk).

Figure 2. Higher education students by consolidated fields of study in 2019, %



In 2019, tuition fees of the Universities grew by 4.3%, which is within the inflation rate, set by the Federal Budget of the Russian Federation for 2019. The tuition fees of NUST MISiS are competitive with other leading technical universities of Moscow.

Cash receipts from sale of educational programs amounted to RUB 3,460,438 thousand. In 2019 revenue grew by 21% against that of 2018.

4. Dormitories

The total floor space of NUST MISiS' dormitories is 119,924 thousand square meters. Dormitories have exceptional infrastructure for studies and leisure activities: computer labs, reading halls, athletic fields and facilities, a swimming pool, and recreational areas.

There are 11 dormitories in Moscow. They can house 6,408 people, which fully covers the University's demand. Dormitories at the University's branches can house up to 940 individuals.

In 2019, the Commune House dormitory won the first prize at Our Student's Home competition of the student's dormitories.

For Russian government-supported students, the price of living in one of the NUST MISiS dormitories in Moscow ranges from RUB 1,400 to RUB 2,150 per month. At the branches the dormitory fee varies from RUB 295 to RUB 782.09 per month. Low prices and comfortable conditions provide a distinct competitive advantage to our university.

4. Dormitories (continued)

Figure 3. Commune House dormitory



5. Financial support of students

Students can receive financial support from the federal budget, University funds, and the business community. In 2019, the financial support provided to students totaled RUB 361,325 thousand.

The opportunity to participate in entertainment, sport and recreational events helps to make NUST MISiS studies comfortable and contributing to the talent development.

In September 2019, NUST MISiS together with the Agency for strategic initiatives opened Boiling Point-Commune, which specializes in quantum technologies; it is designed as an inter-university space for sharing best practices in education and technologies and includes Center of the National Technology Initiative (NTI) Quantum Communication, a pedagogical design laboratory, city project accelerator, a think tank and other projects.

5. Financial support of students (continued)

Spectacular events financed in 2019:

Figure 4. Boiling Point-Commune opening



Figure 5. First-year students arts contest – 2019



5. Financial support of students (continued)

Figure 6. MISiS World 2019 festival



5. Financial support of students (continued)

Figure 7. Miss MISiS 2019 beauty and talent competition



6. Research and development

Proceeds from R&D activities and technical services amounted to RUB 1,287,509 thousand. The University provided additional funding of RUB 455,872 thousand for research and development from the Academic Excellence Project.

The University received 18% of its revenue from R&D, ensuring its sustainable development as a multidisciplinary research center. In 2019, six articles were published in top-rated magazines of Top 1% of SNIP and magazines included in the international WoS and Scopus databases. The number of publications written in collaboration with other leading world research centers increased as well (in 2014: 39.9%, in 2019: 42.3%).

Figure 8. Number of publications per one academic employee in five years, Scopus

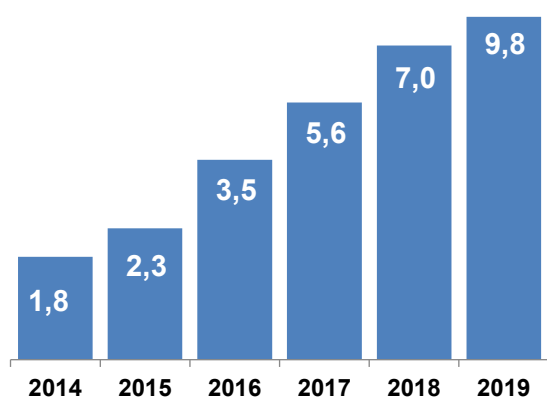
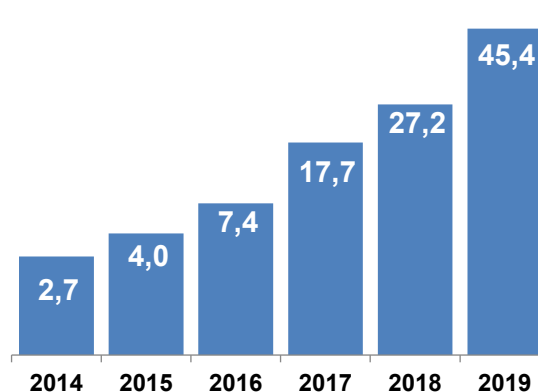


Figure 9. Number quotes from publications per one academic employee in five years, Scopus



7. Donations and special purpose funding

Each year, the University receives support from individuals and legal entities in the form of donations and special purpose funding for research and academic projects. In 2019, the University received RUB 245,511 thousand including non-financial support of RUB 5,768 thousand.

In addition to the direct donations, the University's partners support it through the NUST MISiS Endowment Fund (the Endowment Fund), a separate legal entity established in 2011. The primary purposes of the fund are:

- Material support and financing of young scientists engaged in performing promising R&D (special bonuses, financing of the equipment purchase and other expenses arising from the R&D projects, internships, professional development trainings, business trips, etc.);
- Material support and financing of honored teachers of NUST MISiS;
- Material support of young teachers developing and implementing best teaching practices, innovative projects and new teaching technologies;
- Support in commercialization of results of intellectual activity of NUST MISiS' honored teachers, heads of research centers, young scientists, postgraduates and students;
- Creating and maintaining a talent pool for the University;
- Support to NUST MISiS alumni community;
- Educational scholarship and grants to the students and postgraduates;
- Enhancing communication among NUST MISiS alumni.

7. Donations and special purpose funding (continued)

The Fund's governing bodies are the Managing Board and the Board of Trustees.

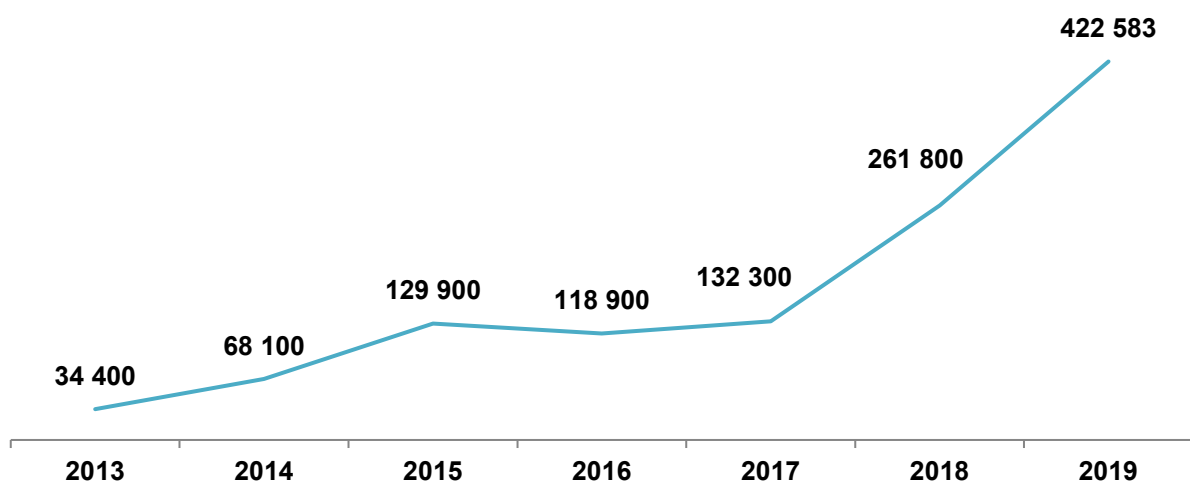
The Fund transfers the donations to management companies under trust management agreements. The Endowment Fund has two endowments handled by two management companies: "Eurofinansy" AM (Endowment 1) and "Gazprombank-Asset Management" JSC (Endowment 2).

All amounts are invested in bonds (federal/subfederal), shares, and deposits. In 2019, the endowment body was invested in the foreign currencies as follows: Endowment 1-38.2%, Endowment 2-50%.

Table 1. Key indicators of the Endowment Fund

Indicator	2013	2014	2015	2016	2017	2018	2019
Income from trust management, RUB (in thousands)	700	1,800	22,000	2,900	6,060	25,600	14,388
Annual yield, %	11.2	4.7	18.5	2.5	5.1	10.8	2.74
Year-end market value of net assets, RUB (in thousands)	34,400	68,100	129,900	118,900	132,300	261,800	422,583

Figure 10. Year-end market value of Endowment fund net assets, RUB (thousands)



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

In 2019, the Fund's expenses amounted to RUB 3,582 thousand. The following University endeavors received the financial support:

- Scholarship and grant programs including the JSC "Giredmet" Award (established by Yu.N. Parkhomenko, Head of Materials Science and Metallurgy Collective Use Center), the A.D. Deineko Scholarship by TMK (established by PJSC "TMK"), the V.S. Strizhko Award (JSC "TVEL", JSC "Leading Scientific and Research Institute of Chemical Technology"), the V.A. Arutyunov Award (established by the Chairman of the Management Board RUSNANO Management Company LLC, Kiselev O.V.), the S.S. Gorelik Award, the E.F. Vergman Award (MetProm GK);
- Contests – "Student of the Year", "Teacher of the Year", and "Employee of the Year";
- Endowment breakfast;
- Financial support of the final contest for MISiS KVN cup.

7. Donations and special purpose funding (continued)

- Organizing of Metallurgical Spring 2019 sports and entertainment event in terms of GTO tests;
- Support of the 74th Days of Science of NUST MISiS;
- Support of NUST MISiS branch in Almalyk (Uzbekistan).

Figure 11. GTO tests



Figure 12. Ceremony granting E.F. Vergman Award (MetProm GK)



7. Donations and special purpose funding (continued)

Figure 13. The 74th Days of Science of NUST MISiS



Figure 14. Award the winners of Student of the Year contest



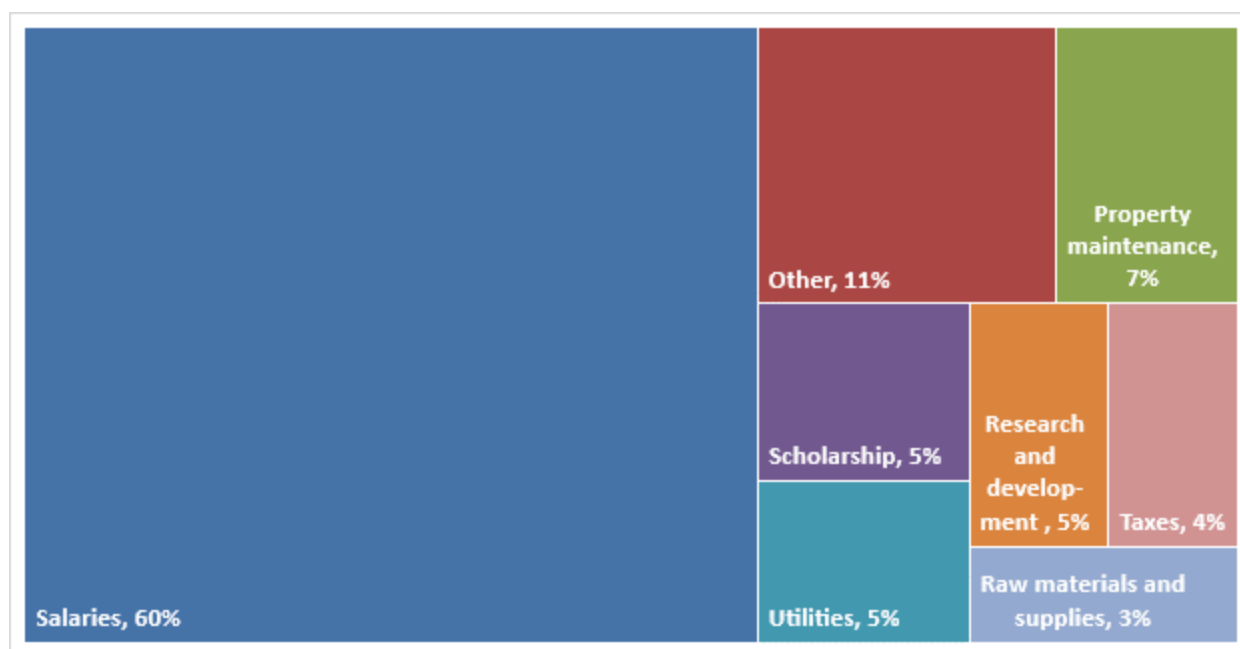
8. Operating expense

According to the University's statement of cash flows, its operating expenses increased by 3% to RUB 6,387,464 thousand in 2019. The main expense item (60%) is personnel remuneration.

Year-on-year, personnel remuneration grew by 2% or RUB 80,942 thousand, which is particularly related to execution of Decree No. 597 of the President of the Russian Federation *On State Social Policies* dated 7 May 2012 and Instructions No. TG-P12-718 of Deputy Prime Minister of the Russian Federation Tatyana Golikova dated 1 February 2019.

The University's average headcount is 2,593 employees, including 623 employees at the University's branches.

Figure 15. Structure of the University's operating expenses, 2019



9. Investment expenses and repairs

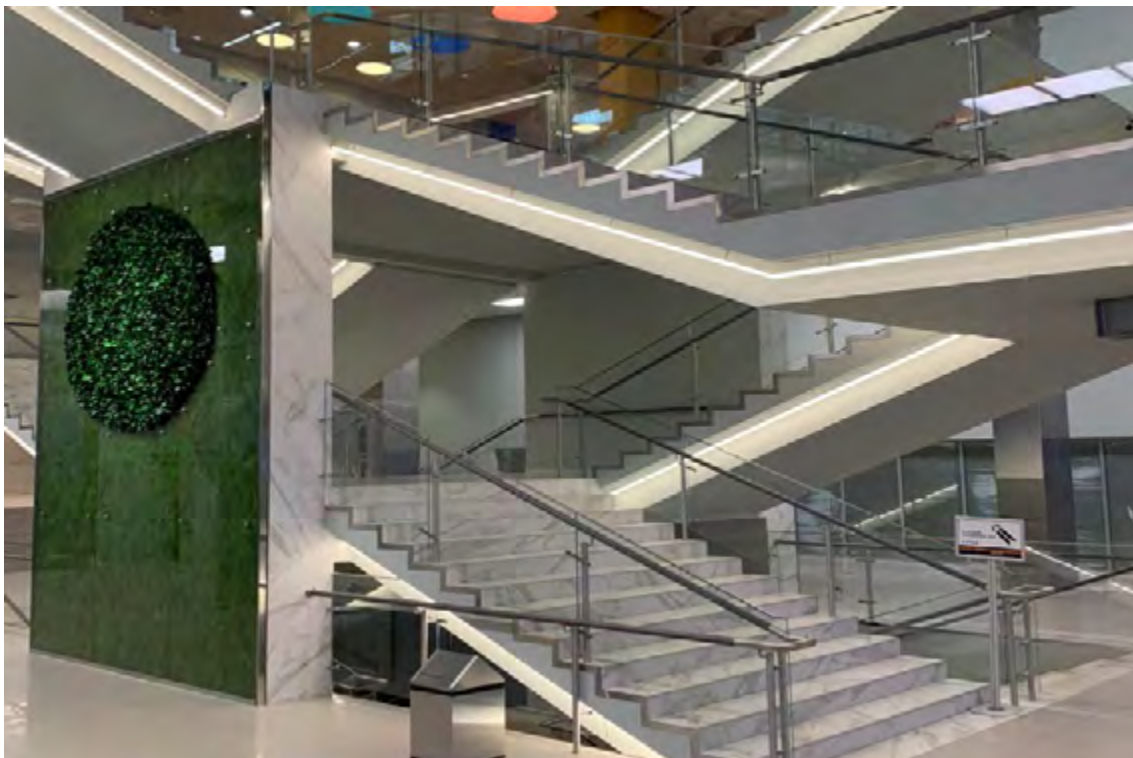
In 2019, the University's investment expenses were used to create scientific laboratories and comfortable learning conditions and improve the campus territory totaling RUB 1,094,560 thousand, including:

- Capital repairs and maintenance – RUB 649,077 thousand;
- Training and scientific equipment – RUB 357,422 thousand;
- Office and network equipment, furniture – RUB 88,061 thousand.

Major projects financed in 2019 are presented in figures 16-20.

9. Investment expenses and repairs (continued)

Figure 16. Repair of B site at Leninsky prospect, 4, building 1



9. Investment expenses and repairs (continued)

Figure 17. Repair in Boiling Point-Commune premises



Figure 18. Repair of premises to accommodate MegaScience Infrastructural Cooperation and Partnership Center and Superconducting Metamaterials Laboratory



9. Investment expenses and repairs (continued)

Figure 19. Improvement of the territory adjacent to the building of Innovation Learning Program Center




10. Management's responsibility for the financial statements

University management is responsible for the fair presentation of the financial statements. The University's financial statements were prepared in accordance with IPSAS rules. The financial statements have been audited by independent auditors, Ernst & Young LLC.

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

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

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



G.V. Timokhova
Chief Financial Officer



A.V. Kravtsova
Chief Accountant

Independent auditor's report

Translation of the original Russian version

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

Opinion

We have audited the consolidated financial statements of Federal State Autonomous Educational Institution for Higher Education The National University of Science and Technology "MISiS" (hereinafter, the "University"), which comprise the consolidated statement of financial position as at 31 December 2019 and consolidated statements of financial performance, change in net assets, cash flows, and comparison of budget and actual amounts for the year ended 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the University in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Translation of the original Russian version

Other matters

The audit of the consolidated financial statements of the University's for 2018 was performed by another auditor who expressed an unmodified opinion on these financial statements on 26 June 2019.

Other information included in Message from the Rector and Financial review

Other information consists of information of Message from the Rector and Financial review, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it is provided to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's responsibilities for the consolidated financial statements

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

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Translation of the original Russian version

We use professional judgment and retain professional skepticism throughout an ISA audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated 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 estimates made by management and related disclosures;
- ▶ 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 Universities 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the branches and associates of the University as well as its Endowment Fund or their business activities within the University to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Translation of the original Russian version

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.

M.S. KHACHATURIAN
Partner
Ernst & Young LLC

19 June 2020

Details of the audited entity

Name: Federal State Autonomous Educational Institution of Higher Education The National University of Science and Technology "MISiS"
Record made in the State Register of Legal Entities on 23 October 2002; State Registration Number 1027739439749.
Address: Russia 119049, Moscow, Leninsky prospect, 4.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the controlled copy of the register of auditors and audit organizations, main registration number 12006020327.

Translation of the original Russian version

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISiS"
Consolidated statement of financial position
(in thousands of Russian rubles)**

	Note	31 December 2019	31 December 2018
Assets			
Current assets			
Cash and cash equivalents	7	2,650,835	2,268,708
Accounts receivable and prepayments	8	361,181	189,443
Investments in shares and bonds of the Endowment Fund	9	392,695	212,420
Taxes and charges overpaid		38,653	29,184
Inventories		37,153	27,122
Other assets	10	38,368	23,407
Total current assets		3,518,885	2,750,284
Non-current assets			
Property, plant and equipment	11	24,800,217	24,036,571
Intangible assets	12	135,819	114,041
Investments in associates		16,207	17,893
Deferred tax assets		3,022	11,586
Advances issued for construction and acquisition of property, plant and equipment		900	60
Total non-current assets		24,956,165	24,180,151
TOTAL ASSETS		28,475,050	26,930,435
Liabilities			
Current liabilities			
Advances received for non-exchange transactions	15	393,742	337,898
Trade and other payables	13	396,682	328,476
Advances received for exchange transactions	16	388,486	274,708
Provisions for future expenses and payments	17	901,342	265,284
Taxation	14	106,881	151,918
Income tax settlements with the budget		48,650	2,817
Other liabilities		38,368	23,407
Total liabilities		2,274,151	1,384,508
Net assets			
Settlements with the founder	18	23,233,034	23,628,633
Accumulated surplus		2,569,338	1,677,791
Endowment Fund		398,527	239,503
Total net assets		26,200,899	25,545,927
TOTAL LIABILITIES AND NET ASSETS		28,475,050	26,930,435

Authorized for issue and signed on 19 June 2020.


A.A. Chernikova
Rector


G.V. Timokhova
Chief Financial Officer


A.V. Kravtsova
Chief Accountant

Translation of the original Russian version

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISiS"**
Consolidated statement of financial performance
(in thousands of Russian rubles)

	Note	2019	2018
Proceeds (revenue)			
Educational services	19	3,377,952	2,904,171
Research and development services	20	1,169,478	1,302,092
Subsidies for the development of the University	21	910,811	1,661,834
Other revenue from exchange transactions	11	534,117	5,068
Rental revenue		462,531	422,114
Other services		419,331	311,655
Subsidies and donations for scholarships	22	319,902	320,028
Grants from research foundations	23	270,255	190,140
Donations for statutory activity		144,585	215,027
Other revenue from non-exchange transactions		195	361
Total proceeds (revenue)		7,609,157	7,332,490
Expenses			
Salaries, compensation under civil contracts and charges for said payments	24	(3,868,171)	(3,808,623)
Third party services	25	(1,487,171)	(1,362,913)
Write-off of property, plant and equipment	11	(8,470)	(735,712)
Depreciation of property, plant and equipment and amortization of intangible assets	11, 12	(721,603)	(719,118)
Scholarships and transfers	22	(369,614)	(355,276)
Cost of raw materials and consumables used		(291,589)	(308,653)
Taxes and levies	27	(154,071)	(171,113)
Accrual of impairment provision for accounts receivable		(14,272)	(42,748)
Provision for legal claims	17	(28,352)	(7,284)
Other expenses	26	(245,876)	(204,933)
Total expenses		(7,189,189)	(7,716,373)
Foreign exchange differences		(86,254)	77,935
Share of financial results of associates		(1,686)	(2,285)
Surplus/(deficit) for the period before tax		332,028	(308,233)
Income tax	28	(69,445)	(17,347)
Surplus/(deficit) for the period		262,583	(325,580)

Translation of the original Russian version

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISiS"**
Consolidated statement of changes in net assets
(in thousands of Russian rubles)

	Notes	Settlements with the founder	Accumulated surplus/ (deficit)	Endowment Fund	Total net assets
Balance at 1 January 2018		24,262,888	1,021,307	–	25,284,195
Deficit for the period		–	(325,536)	–	(325,536)
Depreciation of property, plant and equipment under operational management	18	(488,563)	488,563	–	–
Additions to property, plant and equipment (real estate and highly valuable assets)	18	212,553	(212,553)	–	–
Additions of property, plant and equipment contributed by founders		347,810	–	–	347,810
Disposal of property, plant and equipment	18	(706,055)	706,055	–	–
Contributions to Endowment Fund		–	–	242,791	242,791
Revaluation of bonds	9	–	–	(3,333)	(3,333)
Reclassifying revaluation of bonds to deficit of the current period	9	–	(45)	45	–
Balance at 31 December 2018		23,628,633	1,677,791	239,503	25,545,927
Surplus for the period		–	262,583	–	262,583
Depreciation of property, plant and equipment under operational management	18	(621,869)	621,869	–	–
Additions to property, plant and equipment (real estate and highly valuable assets)	18	8,006	(8,006)	–	–
Additions of property, plant and equipment contributed by founders		238,616	–	–	238,616
Disposal of property, plant and equipment	18	(20,352)	20,352	–	–
Contributions to Endowment Fund		–	–	154,874	154,874
Revaluation of bonds	9	–	–	(1,101)	(1,101)
Reclassifying revaluation of bonds to deficit of the current period	9	–	(5,251)	5,251	–
Balance at 31 December 2019		23,233,034	2,569,338	398,527	26,200,899

Translation of the original Russian version

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISiS"**
Consolidated statement of cash flows
(in thousands of Russian rubles)

	Note	2019	2018
Cash flows from operating activities			
Payment for educational services		3,460,348	2,854,893
Received subsidies for the development of the University		1,149,787	1,620,603
Payment for research and development services		858,941	1,201,720
Payment for lease of property		446,310	541,048
Received grants from research foundations		428,468	369,185
Received subsidies and donations for scholarships		296,461	289,136
Received donations for statutory activity		190,317	226,657
Payment for other services and other income		389,057	265,681
<i>including interest receivable</i>		<i>130,911</i>	<i>62,544</i>
Other revenue from non-exchange transactions		1,652	35
Total cash flows from operating activities		7,221,341	7,368,958
Salaries, compensation under civil contracts and charges for said payments		(3,859,114)	(3,778,172)
Third party services paid		(1,507,400)	(1,373,033)
Scholarships and transfers paid		(322,041)	(317,350)
Raw materials and supplies paid		(220,704)	(265,192)
Taxes and levies paid		(267,352)	(233,169)
Other expenses paid		(201,201)	(259,263)
Income tax paid		(9,652)	(184)
Total payments from operating activities		(6,387,464)	(6,226,363)
Net cash from operating activities		833,877	1,142,595
Cash flows from investing activities			
Purchase of property, plant and equipment		(384,614)	(339,539)
Loans originated / deposits placed		(981,783)	(262,039)
Purchase of available-for-sale investments	9	(529,301)	(173,077)
Purchase of intangible assets		(54,556)	(41,054)
Proceeds from recovery of deposits and repayment of loans originated		997,747	264,670
Proceeds from sale of available-for-sale investments	9	367,012	82,783
Cash proceeds from Endowment Fund consolidation		26,340	41,328
Dividends received		181	82
Net cash used in investing activities		(558,974)	(426,846)
Cash flows from financing activities			
Contributions to Endowment Fund		152,137	90,372
Net cash from (used in) financing activities		152,137	90,372
Effects of in exchange rate changes on cash and cash equivalents		(44,913)	59,560
Cash and cash equivalents at the beginning of the year	7	2,268,708	1,403,027
Net change in cash and cash equivalents		382,127	865,681
Cash and cash equivalents at the end of the year	7	2,650,835	2,268,708

Translation of the original Russian version

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISiS"**
Consolidated statement of comparison of budget and actual amounts
(in thousands of Russian rubles)

	Budget		Actual amounts	Performance difference
	Initial	Final		
REVENUE				
Revenue from property	580,773	522,261	529,431	(7,170)
Revenue from fee-based services	1,613,732	1,779,702	1,704,546	75,156
Subsidies for fulfillment of public engagement	2,580,233	2,767,915	2,767,915	–
Subsidies for other purposes	359,751	1,339,198	1,339,198	–
Free of charge cash receipts	–	1,003,891	930,485	73,406
Revenue from interest, penalties and other enforced collections	1,550	3,496	3,334	162
Gains on transactions with assets	–	73	325	(252)
Other income	824,194	(104,255)	(103,560)	(695)
Total receipts				
	5,960,233	7,312,281	7,171,674	140,607
PAYMENTS				
Payroll and social security contributions	(3,717,213)	(4,020,052)	(3,806,991)	(213,061)
Purchases of services	(2,352,105)	(2,902,420)	(2,389,999)	(512,421)
including:				
Acquisition of non-financial assets	(411,965)	(802,336)	(610,206)	(192,130)
including:	(372,506)	(627,891)	(507,676)	(120,215)
Property, plant and equipment	(274,210)	(550,831)	(385,882)	(164,949)
Intangible assets	–	(2,498)	(2,487)	(11)
Inventories	(137,755)	(249,007)	(221,837)	(27,170)
Research and development	(353,059)	(127,120)	(103,893)	(23,227)
Overhaul repairs	(377,120)	(370,583)	(364,080)	(6,503)
Property maintenance work, services	(397,808)	(477,913)	(430,154)	(47,759)
Utilities	(324,802)	(313,956)	(303,020)	(10,936)
Capital expenditures to state (municipal) property	(57,840)	(3,842)	(3,842)	–
Telecommunication services	(22,727)	(18,029)	(17,502)	(527)
Rent paid	(476)	(9,505)	(7,901)	(1,604)
Transportation services	(5,475)	(10,455)	(9,272)	(1,183)
Other work, services	(400,833)	(768,681)	(540,129)	(228,552)
Social security	(326,430)	(346,926)	(337,557)	(9,369)
Other expenses	(172,896)	(189,561)	(186,012)	(3,549)
Total payments				
	(6,568,644)	(7,458,959)	(6,720,559)	(738,400)
NET PAYMENT				
	(608,411)	(146,678)	451,115	(597,793)

1. General information

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

The University is a unitary not-for-profit organization established as a federal state autonomous institution to perform education, research, social and cultural functions.

The founder of NUST MISiS is the Russian Federation. The founder's powers and authority are exercised by the Ministry of Science and Higher Education of the Russian Federation.

The Ministry of Science and Higher Education of the Russian Federation grants subsidies to the University from the federal budget to finance execution of the public engagement, including maintenance costs of real estate and highly valuable movable property assigned to the University by Rosimushchestvo or acquired by the University with the funding received from the founder for such acquisition under operational management rights, and payment of property taxes including land tax. The Russian Ministry of Science and Higher Education also provides the University with subsidies for other purposes, as appropriate.

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

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

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

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

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

1. General information (continued)

In order to increase the University's international competitiveness and transparency, it was decided to prepare financial statements under IPSAS.

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

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

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

As at 31 December 2019 and 31 December 2018, NUST MISiS had four branches in the Russian Federation and branches in Dushanbe (Tajikistan) and Almalyk (Uzbekistan).

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

Novotroitsk Branch of NUST MISiS offers higher educational services in metallurgy, machine-building technology, energy engineering, chemical biotechnologies, etc.

Vyksha Branch of NUST MISiS offers higher educational services in metallurgy, materials science and engineering, as well as secondary vocational education in IT, heat supply and operation of industrial equipment.

Gubkin Branch of NUST MISiS offers higher educational services in mining, management and technosphere safety.

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

- Materials science and engineering;
- Metallurgy and mining;
- Nanotechnologies;
- Information technologies;
- Biomedicine.

1. General information (continued)

The Endowment Fund was set up for NUST MISiS in 2011 represented by the Special Fund for Gathering the Earmarked Capital. The Endowment Fund was set up exclusively with the purpose of gathering earmarked capital, using and distributing it to NUST MISiS to support research and academic activities. Given that the planned volumes of investments were reached and all the control criteria under IPSAS were met, from 1 January 2018, the University consolidates the Endowment Fund, which was previously a related party.

NUST MISiS has investments in associates with interests between 20% and 50%. As at 31 December 2019, the University had 35 associates (31 December 2018: 36 associates). Investments in associates are made to commercialize the University's R&D work. The University obtains interests in associates by contributing the rights to use intellectual property to which the University has exclusive rights.

Its registered and actual address is Russian Federation, 119049, Moscow, Leninsky prospect, 4.

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

Monetary assets and liabilities denominated in foreign currencies are translated into the University's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBR") at the end of the reporting period. Foreign exchange gains or losses resulting from the related settlements and from the translation of monetary assets and liabilities denominated in foreign currencies are presented in a separate line "Gains/losses on foreign exchange transactions" in the statement of financial performance. Translation at year-end rates does not apply to non-monetary balance sheet items that are measured at historical cost.

2. Operating environment of the University

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

The goal of the Competitiveness Enhancement Program (hereinafter – "Project 5-100") is to maximize the competitive position of several leading Russian universities at the global market of educational services and research programs.

The main goals of Project 5-100 are:

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

2. Operating environment of the University (continued)

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

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

In 2018 and 2019, strategic initiatives and objectives of NUST MISiS' Road Map were carried out. One of the key results of these initiatives was securing the University's position in international rankings.

In 2019, NUST MISiS:

- Demonstrated a significant improvement of rating in QS World University Rankings, more than 25 positions up year on year ranking 451st;
- Maintained its position in the World University Rankings, rising, keeping the 601+ category;
- Got 7 steps up in QS Emerging Europe&Central Asia, EECA – from position 52 to 45;
- Improved its result in QS Emerging Europe&Central Asia, EECA by "share of international students" ranking 11th (2018: 11th) and by the share of international students among all ranked universities (number 4 among Russian universities);
- Maintained its positions in subject ratings of THE, QS and ARWU in six areas in a row, taking 46th QS World University Rankings by Subject in Engineering – Mineral & Mining, and maintained its positions in TOP 100 Shanghai Global Ranking of Academic Subjects in Metallurgical Engineering;
- Strengthened its positions in Webometrics Ranking of World Universities, rising by more than 80 positions. In the overall ranking, the University ranks 1,456 among 20,000 educational institutions of the world.

In accordance with the approved action plan, NUST MISiS should prepare consolidated financial statements in accordance with IPSAS for 2019.

3. Summary of significant accounting policies

3.1 Basis of preparation

These financial statements for the year ended 31 December 2019 were prepared in accordance with IPSAS. Where there were no specific requirements in IPSAS, we applied IFRS.

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

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

3. Summary of significant accounting policies (continued)

3.2 Associates

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

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

The share in the profit (loss) of associates is recorded in the statement of financial performance. When changes are recognized directly in the net assets of associates, NUST MISiS recognizes the corresponding share and discloses it in the statement of changes in net assets.

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

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

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

3.3 Cash and cash equivalents

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

3.4 Financial assets

3.4.1 Initial recognition and measurement

IPSAS 29 *Financial Instruments: Recognition and Measurement* classifies financial assets into the following categories: financial assets at fair value through surplus or deficit; loans and receivables; investments held to maturity and financial assets available for sale. NUST MISiS classifies its financial assets upon their initial recognition.

NUST MISiS' financial assets consist of cash, accounts receivable and investments available for sale.

3.4.2 Subsequent measurement

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

Accounts receivable. Accounts receivable are measured at amortized cost using the effective interest method less impairment losses. Impairment losses related to accounts receivable are carried in surplus or deficit.

3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

NUST MISiS' accounts receivable include:

- Settlements with payers of income on property;
- Settlements with payers of income on fee-based works and services, including educational services and R&D;
- Settlements on subsidies to implement government engagements and other objectives;
- Settlements with payers of other income.

Available-for-sale investments. Available-for-sale investments include investments of the Endowment Fund in quoted shares and bonds and are recorded in the line item "Investments in shares and bonds of Endowment Fund." Available-for-sale investments are carried at fair value. The fair value of financial assets traded in an active market is measured as the amount obtained by multiplying the quoted market price for a separate asset or liability by the number of instruments held by NUST MISiS. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in surplus or deficit for the year as investment income from the Endowment Fund's investments. Dividends on investments in available-for-sale equity financial instruments are recorded in surplus or deficit for the year in the line item "Investment income on the Endowment Fund's investments", when NUST MISiS' right to receive these payments is established and it is highly probable that the dividends will be received. Other changes in fair value are recorded directly as changes in the Endowment Fund's cash balance in the statement of changes in net assets until investment is derecognized or impaired, when the amount of accumulated profit or loss is transferred from the Endowment Fund to surplus or deficit for the year.

Impairment losses on available-for-sale investments are recognized in surplus or deficit for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of these assets. A significant or prolonged decline in the fair value of investments below their cost is an indicator that they are impaired. Accumulated impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in surplus or deficit – is reclassified from the Endowment Fund to surplus or deficit for the year upon disposal of available-for-sale investments.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognized within the Endowment Fund in the statement of changes in net assets. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in surplus or deficit, the impairment loss is reversed through current period's surplus or deficit.

3.4.3 Impairment of financial assets

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

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

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

3. Summary of significant accounting policies (continued)

3.4 Financial assets (continued)

Impairment of financial assets carried at amortized cost

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

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

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

3.4.4 Derecognition of financial assets

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

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

3.5 Financial liabilities

3.5.1 Initial recognition and measurement

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

3.5.2 Subsequent measurement

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

Accounts payable. Accounts payable are accrued when the counterparty performed its contractual obligations and are carried at amortized cost using the effective interest method.

NUST MISiS' accounts payable include:

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

3. Summary of significant accounting policies (continued)

3.5 Financial liabilities (continued)

3.5.3 Derecognition

Financial liabilities are derecognized when they are settled, canceled or expire. If an existing financial liability is replaced by another liability to the same lender on substantially different terms, such replacement or change is recorded as derecognition of the initial liability and recognition of a new liability. The difference between the carrying amount of the initial and new liability is recognized in the financial result for the period.

3.6 Offsetting financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when an entity currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7 Inventories

Inventories are initially recognized at their acquisition cost. Subsequently, inventories are measured at the lower of acquisition cost and net realizable value. Where inventories are received through a non-exchange transaction, they are measured at their fair value as at the date of acquisition (receipt). The cost of inventories released to production or otherwise disposed of is determined on the weighted average basis. The cost of any inventories that are usually non-replaceable and/or were purchased for specific purposes (e.g., for implementing a specific public or commercial order) is set individually. Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories consumed in the ordinary course of NUST MISiS' operations are recognized within expenses.

3.8 Property, plant and equipment

An item of property, plant and equipment shall be recognized as an asset if, and only if: (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) The cost or fair value of the item can be measured reliably.

Initial recognition. Where property, plant and equipment are received through an exchange transaction, they are initially measured at their acquisition cost.

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

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

Property, plant and equipment received through 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 recognized as assets in correspondence with income in the reporting period when the PPE were received (acquired).

At the date of the first-time adoption of IPSAS, the University decided to measure land plots at their cadastral value, which was adopted as deemed cost. Immovable items of property, plant and equipment were carried at fair value. Fair value of immovable property, plant and equipment was adopted as deemed cost.

3. Summary of significant accounting policies (continued)

3.8 Property, plant and equipment (continued)

Subsequent measurement. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Costs of minor repair and maintenance are expensed when incurred. Property, plant and equipment modernization costs are capitalized.

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

Residential buildings	20-100 years
Non-residential buildings	20-99 years
Machinery and equipment	1-30 years
Production and maintenance tools	1-30 years
Facilities	15-25 years
Vehicles	5-15 years

Land plots and capital investments in progress are not depreciated.

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

Depreciation starts when an asset is ready for use, i.e. when it is at the destination point and is in the condition suitable for use per management intentions. When a PPE item becomes idle or is retired from active use and held for disposal, depreciation does not cease unless the asset's net book value reaches its residual value.

Derecognition. NUST MISiS derecognizes property, plant and equipment within assets on disposal or when no future economic benefits or service potential are expected from their use or disposal.

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

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

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

3.10 Intangible assets

Initial recognition. An intangible asset shall be recognized only when: (a) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and (b) the cost or fair value of the asset can be measured reliably.

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

Intangible assets received from non-exchange transactions are initially recognized at their fair value at the date of acquisition.

3. Summary of significant accounting policies (continued)

3.10 Intangible assets (continued)

R&D costs. The intangible asset, which is a result of scientific research, is not subject to recognition. Expenses incurred at the stage of scientific research shall be recognized as expenses when they arise.

An intangible asset, which is a result of development and design work, shall be recognized only when the entity can demonstrate that all of the following conditions are met: (a) bringing the intangible asset to a state suitable for usage or sale is technically feasible; (b) there is an intention to complete the intangible asset and use or sell it; (c) the intangible asset can be used or sold; (d) the entity can demonstrate how the asset will generate future economic benefits or service potential; (e) technical, financial and other resources are available to complete the development work and use or sell the intangible asset; and (f) it can reliably estimate any costs attributable to the intangible asset that were incurred in the course of its development.

Patents, software products, know-how and the website developed by the University are capitalized in the amount of expenses incurred since the intangible asset first met the above criteria. The cost of an intangible asset developed by the University includes all direct expenses required to develop, produce and prepare the asset for use per management's intentions. Costs of intangible assets which were initially recognized as expenses, cannot be recorded within the cost of the intangible asset on a later date.

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

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

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

An asset starts to be amortized when it becomes ready for use, i.e. when its location and condition ensure its operation in accordance with management intentions. Amortization is included in the financial result for the period.

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

3.11 Construction in progress

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

3. Summary of significant accounting policies (continued)

3.12 Impairment of non-financial assets

Impairment of cash-generating assets. Cash-generating assets are assets held with the primary objective of generating a commercial return. At each reporting date, NUST MISiS assesses whether there is any indication that an asset may be impaired. If any such indication exists, or if there is a requirement to test the asset for impairment annually, NUST MISiS estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of: 1) the asset's or cash-generating unit's fair value less costs to sell and 2) its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If, and only if, the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss for the period. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The fair value less costs to sell is determined by reference to the latest market transactions (if any). If such transactions cannot be identified, the fair value less costs to sell is determined on the basis of the best available information. Impairment losses on continuing operations, including impairment of inventories, are recognized in the statement of financial performance in the expense categories that reflect the nature of impaired assets. At each reporting date, the University determines whether there is any indication that previously recognized impairment losses may have decreased or may no longer exist. If any such indication exists, NUST MISiS estimates the recoverable amount of an asset or cash-generating unit. Previously recognized impairment losses are reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset increased by reversing an impairment loss should not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss for an asset is recognized as a lump sum in profit or loss.

Impairment of non-cash-generating non-financial assets. Non-cash-generating assets are assets other than cash-generating assets. At each reporting date, NUST MISiS identifies all indications of potential impairment of a non-financial asset. If any such indication is identified, NUST MISiS estimates the recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and its value is reduced to its recoverable amount. The difference is an impairment loss and is recognized as a lump sum in the financial result of the current period.

In measuring value in use of an asset, NUST MISiS uses the depreciated replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The fair value less costs to sell is determined on the basis of a price of an asset in a binding sale agreement between independent, knowledgeable and willing parties, adjusted for incremental costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but an asset is traded in an active market, the fair value less costs to sell is the asset's market price less the costs of disposal. If there is no binding sale agreement or active market for an asset, NUST MISiS determines the fair value less costs to sell on the basis of the best available information.

At each reporting date, NUST MISiS determines whether there is any indication that an impairment loss for an asset recognized in prior periods may no longer exist or may have decreased. If any such indication is identified, NUST MISiS estimates the recoverable service amount of the asset. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset should be increased to its recoverable amount.

3. Summary of significant accounting policies (continued)

3.12 Impairment of non-financial assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in prior periods. A reversal of an impairment loss for an asset is recognized as a lump sum in profit or loss.

3.13 Provisions

Provisions are recognized when NUST MISiS has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the useful life and the amount of the obligation can be made. Where NUST MISiS expects some or all of the expenditure required to settle a provision to be reimbursed, e.g. under an insurance contract, the reimbursement is treated as a separate asset but only if it is virtually certain that reimbursement will be received. The expense relating to a provision is recognized in the statement of financial performance net of reimbursement.

Contingent liabilities. NUST MISiS does not recognize contingent liabilities but discloses any contingent liability in detail in the notes to the financial statements, where the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets. NUST MISiS does not recognize contingent assets but discloses them in the notes to the financial statements, where an inflow of economic benefits or service potential is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.14 Revenue from non-exchange transactions

Non-exchange transactions are transactions in which an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Accordingly, in non-exchange transactions NUST MISiS receives resources and provides no or nominal consideration directly in return. An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset is recognized as an asset when, and only when:

- (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) The fair value of the asset can be measured reliably.

An inflow of resources from a non-exchange transaction recognized as an asset should be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition. When, as a result of a non-exchange transaction, NUST MISiS recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured in accordance with paragraph 42 of IPSAS 23 – Revenue from non-exchange transactions (taxes and transfers), unless it is also required to recognize a liability. The amount recognized as a liability should be the best estimate of the amount required to settle the present obligation at the reporting date. The estimate takes account of the risks and uncertainties that surround the events causing the liability to be recognized.

3. Summary of significant accounting policies (continued)

3.14 Revenue from non-exchange transactions (continued)

NUST MISiS' revenue from non-exchange transactions mainly includes:

Subsidies for the development of the University. Subsidies for the development represent budget funds received by the University from its founder for no consideration to be used for the purposes stipulated in the subsidy contract (agreement).

The funds received by the University are used to develop advanced educational programs and technologies, conduct research under the Russian Basic Research Program and taking into account international priorities in fundamental and applied research, and build modern infrastructure and a governance system at the University.

Subsidies for the development of the University received in the form of subsidies for fulfillment of public engagements are recognized in revenue from non-exchange transactions at the date of signing the agreements with the Ministry of Science and Higher Education of the Russian Federation.

Subsidies for the development of the University received in the form of subsidies for other purposes are recognized in revenue from non-exchange transactions in the amount of expenses incurred as the respective contractual obligations are fulfilled.

Budget allocations under the FTIP. Budget allocations under the FTIP are federal budget funds allocated for budgetary investments in accordance with the rules for making capital investments in the national property of the Russian Federation under the Federal Targeted Investment Program (FTIP). The budget allocations are intended for investing in new construction, expansion, renovation and upgrade of the existing buildings and structures, purchases of machinery, equipment, tools, fixtures, as well as research and development and other areas. The budget allocations are recognized as revenue in the statement of financial performance for the reporting period in the amount of the respective capital expenditure incurred during the reporting period.

Subsidies and donations for scholarships. Budget funds received in the form of subsidies for student scholarships and other proceeds from budgets of all levels (including budget funds for fulfilling public obligations) or from legal entities that are subsequently allocated to students, are recognized in revenue at the date on which the University awards scholarships and other benefits to students. Budget funds provided to the University for financing personal scholarships are fully treated as revenue for the period.

Donations for statutory activity. To carry out its statutory activities, the University receives voluntary donations from legal entities and individuals, as well as subsidies from the budget of the city of Moscow. The donations are used to support the University's operations and development, carry out the educational process, and improve facilities and infrastructure. The voluntary donations received by the University during the reporting period are used in accordance with their contractual purposes and fully recognized in revenue for the period.

Subsidies for fulfillment of public engagements spent on the construction, renovation and acquisition of property, plant and equipment. As part of the public engagement financing program, the University receives funds for the construction, renovation and acquisition of property, plant and equipment. The terms of financing are set out in the public engagement agreement so that the University does not bear any responsibility for repairs, renovation or acquisition of certain PPE items. The responsibility is limited by the University's powers in developing the infrastructure to create favorable education and research conditions. The funds received by the University under the public engagement program and intended for the construction, renovation or acquisition of property, plant and equipment are recognized as revenue in full in the period when they were received. These subsidies are part of subsidies for the development of the University.

3. Summary of significant accounting policies (continued)

3.14 Revenue from non-exchange transactions (continued)

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

3.15 Revenue from exchange transactions

In exchange transactions NUST MISiS receives value from another entity or individual and directly gives approximately equal value in exchange.

NUST MISiS' revenue from exchange transactions mainly includes:

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

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

Recognition of revenue from the educational services financed by the state

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

Recognition of revenue from the educational services provided for a fee

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

Leases of assets. Rental revenue is recognized on a monthly basis and calculated based on the contractual rental rate and the duration of lease in days in the reporting month.

Other services. NUST MISiS provides the following other fee-based services:

- Accommodation in dormitories;
- Other services.

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

3. Summary of significant accounting policies (continued)

3.15 Revenue from exchange transactions (continued)

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

3.16 Employee benefits

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

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

3.17 Related parties

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

Related parties include:

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

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

3. Summary of significant accounting policies (continued)

3.17 Related parties (continued)

As at 31 December 2019 and 31 December 2018, the University's related parties, settlements and transactions with which are disclosed in Note 31, included:

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

3.18 Income tax

Income tax expenses are recognized in the University's consolidated financial statements in accordance with IAS 12 *Income Taxes*, since IPSAS do not contain a similar standard, and applicable laws of the Russian Federation. In particular, Article 251 "Income Not Treated as Deductible for Tax Purposes" of Chapter 25 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 organizations and support their statutory activities that were provided gratuitously based on decisions by government agencies, local authorities and management bodies of state non-government funds, as well as earmarked proceeds from other organizations 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.

NUST MISiS was in compliance with these requirements during the reporting period. Income tax for 2019 and 2018 was accrued on income from fee-based educational services, commercial research and other commercial services.

Income tax charge/credit comprises current tax and deferred tax and is recognized in profit or loss for the year.

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

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

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

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

3. Summary of significant accounting policies (continued)

3.19 Value-added tax

Value-added tax (VAT) payable and VAT recoverable from the budget is recognized on a gross basis in assets and liabilities in the statement of financial position. Where an allowance for impairment of receivables has been made, the impairment loss is recorded in the full amount of receivables, including VAT.

3.20 Segment reporting

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

- Estimate the performance of the organization in the past to achieve its goals; and
- Make decisions on the future allocation of resources.

Operating results of the segments are regularly reviewed by governance bodies and the head of the organization, and separate financial information is available for operating segments. Governance bodies and the head of the organization include the Rector of NUST MISiS and branch directors who allocate resources and assesses operating performance of the segments.

The segment accounting policy is in line with the policies used to prepare the consolidated financial statements in accordance with IPSAS.

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

NUST MISiS' financial and business plan (hereinafter, the "Budget") is developed using the cash method and based on principles other than IPSAS. The consolidated financial statements of NUST MISiS are prepared using the accrual method and the classification based on the nature of expenses presented in the statement of financial performance. The approved budget covers the financial year from 1 January 2019 to 31 December 2019 and includes all NUST MISiS' branches.

Budget classification methods include classifications by the following categories:

1. Source of financing:
 - (i) Subsidies for fulfillment of public engagement;
 - (ii) Earmarked subsidies (subsidies for other purposes);
 - (iii) Budget investments;
 - (iv) Proceeds from income-generating activities;
2. Income and expense item of the Classification of public sector transactions.

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

The actual amounts represent cash flows of NUST MISiS, including all its branches. The difference between the final budget amounts and actual amounts arises from balances unused at the beginning of the period.

4. New accounting standards and interpretations

IPSAS 40 *Public Sector Combinations* has been effective from 1 January 2019 and is mandatory for the University's annual periods beginning on 1 January 2019. However, this standard is not applicable at the moment, since the University did not record any acquisitions in the reporting year.

In August 2018, IPSAS 41 *Financial Instruments* was published to replace IPSAS 29 *Financial Instruments: Recognition and Measurement*. The new standard sets out new requirements to classifications, recognition and measurement of financial instruments. The new standard is mandatory for the University's annual periods beginning on 1 January 2022. Currently, the University is assessing the effect of the new standard.

IPSAS 42 *Social Benefits* is mandatory for the University's annual periods beginning on 1 January 2022. Currently, the standard is not applicable to the University.

5. Critical accounting estimates and judgments in applying accounting policies

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

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

Useful lives of property, plant and equipment. The estimation of the useful lives 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 received principally through their use. However, other factors, such as technical obsolescence and wear and tear of equipment, often result in the diminution in the economic benefits embodied in the assets. Management assesses the remaining useful lives of property, plant and equipment in accordance with the current technical conditions of the assets and the estimated period during which these assets are expected to provide benefits or service potential to NUST MISiS. The following factors are taken into account: (a) the expected useful lives of the assets; (b) the expected physical wear and tear, which depends on operational factors and the maintenance program; and (c) the technical obsolescence of equipment.

If the useful lives of the University's assets increase by one year, depreciation charges will decline by RUB 45 million (2018: RUB 47 million). If the useful lives of the University's assets reduce by one year, depreciation charges will increase by RUB 54 million (2018: RUB 56 million).

Valuation of land plots. Land plots in perpetual use were assessed at the cadastral value at the date of transition to IPSAS, since management believed that the cadastral value of land plots approximated their fair value.

The judgment relies on the fact that the cadastral valuation of land plots is based on their classification by intended use and type of functional use. An appraiser engaged by Rosreestr determines the per unit indicator of the cadastral value for each quarter and each type of permitted use based on the information on the average market value of certain types of land plots in a certain quarter and by reference to the average market value of immovable property located on the land plots. In other words, by virtue of the legislation in effect, the per unit indicator of the cadastral value is considered as the averaged indicator of the market value of one square meter of a land plot with a specific type of permitted use.

5. Critical accounting estimates and judgments in applying accounting policies (continued)

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

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

Obligations to the founder recognized as the separate line item "Balances and transactions with the founder". Balances and transactions with the founder include the following components of the carrying amount: immovable and highly valuable movable property, land plots in perpetual use and construction in progress.

Highly valuable movable property is movable property acquired for a consideration exceeding RUB 500,000 using sources of state financing.

Construction in progress gives rise to the obligation to the founders, as it will be included in property under operational management upon commissioning.

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

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

6. Segment information

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

For financial reporting purposes, the following two reporting segments are separated: NUST MISiS Moscow and Stary Oskol Institute of Technology, a branch of NUST MISiS. In addition, management of NUST MISiS identifies the third category – "Other segments", which is used to disclose performance results of the following branches: Vyksa Branch of NUST MISiS, Gubkin Branch of NUST MISiS, Dushanbe Branch of NUST MISiS (Tajikistan), Novotroitsk Branch of NUST MISiS, Olmaliq Branch of NUST MISiS (Uzbekistan), Abkhazian Branch of NUST MISiS, and the Endowment Fund.

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(in thousands of Russian rubles)

6. Segment information (continued)

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

In 2018, Gubkin Branch of NUST MISiS was established, as a result of which certain buildings, land plots and other property, plant and equipment were transferred from Sary Oskol Institute of Technology, a branch of NUST MISiS. Olmaliq Branch of NUST MISiS (Uzbekistan) was also established in 2018.

Deferred tax assets are recognized in other segments.

Segment income

	Moscow	Sary Oskol	Other	Total
2019	6,896,935	345,231	366,991	7,609,157
2018	6,751,099	352,247	229,144	7,332,490

Segment expenses

	Moscow	Sary Oskol	Other	Total
2019	(6,419,761)	(540,539)	(386,274)	(7,346,574)
2018	(7,012,096)	(414,610)	(231,364)	(7,658,070)

Segment surplus/deficit

	Moscow	Sary Oskol	Other	Total
2019	477,174	(195,308)	(19,283)	262,583
2018	(260,997)	(62,363)	(2,220)	(325,580)

Capital expenditure, including proceeds from the founder

	Moscow	Sary Oskol	Other	Total
2019	1,473,171	31,271	22,739	1,527,181
2018	639,631	29,969	17,749	687,349

Capital expenditures represent additions of non-current assets, other than non-current advances, including proceeds from founders, proceeds from capital investments and investments in associates.

Segment assets and liabilities

31 December 2019	Moscow	Sary Oskol	Other	Total
Non-current assets	23,141,694	1,315,375	499,096	24,956,165
Current assets	2,930,872	41,587	546,426	3,518,885
Total assets	26,072,566	1,356,962	1,045,522	28,475,050
Current liabilities	2,179,290	63,916	30,945	2,274,151
Total net assets	23,893,276	1,293,046	1,014,577	26,200,899

6. Segment information (continued)

31 December 2018	Moscow	Stary Oskol	Other	Total
Non-current assets	22,363,218	1,329,480	487,453	24,180,151
Current assets	2,403,460	34,509	312,315	2,750,284
Total assets	24,766,678	1,363,989	799,768	26,930,435
Current liabilities	1,295,374	52,450	36,684	1,384,508
Total net assets	23,471,304	1,311,539	763,084	25,545,927

7. Cash and cash equivalents

Cash and cash equivalents comprise cash held on current accounts in the Russian Federal Treasury, bank account balances and cash on hand. Cash and cash equivalents included in the statement of cash flows cover the following amounts from the statement of financial position:

	31 December 2019	31 December 2018
Current accounts with banks	2,160,683	1,695,727
Current accounts in the Russian Federal Treasury	489,204	530,019
Deposits placed for less than three months	—	42,061
Cash on hand	948	901
Total cash and cash equivalents	2,650,835	2,268,708

At 31 December 2019, there was no cash on deposit accounts (31 December 2018: deposit accounts with PAO Gazprombank contained RUB 42,061 thousand of cash). These deposits are classified as cash equivalents, since they mature in less than three months. Interest income on RUB-denominated deposits as at 31 December 2018 was accrued at rates ranging from 6.25% to 7.00% per annum. Interest income on USD-denominated deposits as at 31 December 2018 was accrued at the rate of 2%.

Cash and cash equivalents are placed in the following currencies:

	31 December 2019	31 December 2018
Russian rubles	2,208,155	1,827,851
US dollars	425,686	397,450
Euros	—	22,981
Other currencies	16,994	20,426
Total	2,650,835	2,268,708

7. Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents analyzed based on Fitch ratings as at 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019			31 December 2018		
	Bank balances payable on demand	Balances on accounts with the Treasury	Term deposits	Bank balances payable on demand	Balances on accounts with the Treasury	Term deposits
<i>Rating at the reporting date</i>						
BB+ rated	2,146,775	–	–	1,658,145	–	42,061
BBB- rated	–	489,204	–	–	530,019	–
Unrated	13,908	–	–	37,582	–	–
Total	2,160,683	489,204	–	1,695,727	530,019	42,061

As regards cash on current accounts with the Treasury, Fitch assigned a BBB- long-term issuer default rating to the Russian Federation.

8. Receivables and prepayments

	31 December 2019	31 December 2018
Trade receivables, including:	348,099	177,640
<i>Receivables under exchange transactions</i>	348,099	177,640
Other financial receivables	15,820	63,071
Provision for impairment of receivables	(15,111)	(57,795)
Total financial receivables	348,808	182,916
Advances to suppliers and contractors	12,243	6,636
Salary advances	51	–
Other	79	27
Provision for impairment of advances issued	–	(136)
Total non-financial receivables	12,373	6,527
Total receivables and prepayments	361,181	189,443

Receivables are denominated in Russian rubles. The bulk of financial receivables represents income receivable from fee-based services and from property. Other financial receivables represent income receivable from other activities, enforced collections and issued loans.

8. Receivables and prepayments (continued)

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

	31 December 2019		31 December 2018	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Neither past due nor impaired:</i>				
- Government	71,794	2,758	20,594	1,780
- Commercial entities and individuals	263,972	10,284	138,437	22,105
Total neither past due nor impaired	335,766	13,042	159,031	23,885
<i>Individually determined to be impaired</i>				
- Over 360 days overdue	12,333	2,778	18,609	39,186
Total individually determined to be impaired	12,333	2,778	18,609	39,186
Less impairment provision	(12,333)	(2,778)	(18,609)	(39,186)
Total	335,766	13,042	159,031	23,885

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

	2019	2018
Carrying amount at 1 January	57,795	90,701
Increase in provision charged to income or expenses	7,584	47,495
Utilization of provision	(40,509)	(75,854)
Reversal of provision	(9,759)	(4,547)
Carrying amount at 31 December	15,111	57,795

9. Investments in shares and bonds of the Endowment Fund

The table below presents available-for-sale financial assets by type of securities.

	31 December 2019	31 December 2018
Russian government bonds	67,901	79,173
Municipal bonds	1,230	1,196
Corporate bonds	322,536	131,230
Total bonds	391,667	211,599
Shares	1,028	821
Total available-for-sale financial assets	392,695	212,420

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9. Investments in shares and bonds of the Endowment Fund (continued)

The table below presents available-for-sale financial assets by issuers' credit rating.

31 December 2019					
	Russian government bonds	Municipal bonds	Corporate bonds	Shares	Total
<i>Rating at the reporting date</i>					
BBB- rated and above	67,901	1,230	174,979	1,028	245,138
BB+ rated	–	–	46,339	–	46,339
BB rated	–	–	55,441	–	55,441
B+ rated	–	–	45,777	–	45,777
Total	67,901	1,230	322,536	1,028	392,695

31 December 2018					
	Russian government bonds	Municipal bonds	Corporate bonds	Shares	Total
<i>Rating at the reporting date</i>					
BBB- rated	79,173	1,196	63,396	761	144,526
BB+ rated	–	–	19,544	60	19,604
BB rated	–	–	32,529	–	32,529
B+ rated	–	–	5,736	–	5,736
B rated	–	–	6,301	–	6,301
Unrated	–	–	3,724	–	3,724
Total	79,173	1,196	131,230	821	212,420

Movements in the carrying amount of bonds were as follows:

	2019	2018
Carrying amount at 1 January	211,599	112,336
Surplus/(deficit) less fair value remeasurement losses	5,247	(3,289)
Accrued interest income	35,905	9,803
Received interest income	(23,573)	(10,067)
Purchase	542,312	173,108
Sale	(352,755)	(51,117)
Repayment	(11,458)	(31,666)
Foreign exchange differences on debt securities	(15,610)	12,491
Carrying amount at 31 December	391,667	211,599

Securities transactions are performed by managing companies according to the trust management agreement with the Endowment Fund of NUST MISiS.

10. Other assets and liabilities

Included in other assets and liabilities is cash received as security for procurement tenders (auctions) from the participants, and also as security for the performance of contracts signed as a result of competitive procurement tenders. The cash is temporarily at the University's disposal and should be refunded to the tender participants as follows: security for procurement tenders (auctions) – upon completion of the tender process, and security for the performance of the contracts signed – upon the fulfillment of contractual obligations. As at 31 December 2019, NUST MISiS had RUB 38,368 thousand at its temporary disposal, including funding from RFBR of RUB 19,609 thousand to be distributed to grant recipients (31 December 2018: RUB 23,407 thousand).

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11. Property, plant and equipment

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

For the year ended 31 December 2019	Land plots	Residential buildings	Non-residential buildings	Machinery and equipment	Production and maintenance tools	Facilities	Vehicles	Construction in progress	Total
Cost									
At the beginning of the period	12,180,514	5,153,204	6,038,196	4,466,709	213,109	15,245	33,548	266,595	28,367,120
Additions	238,616	—	1,605	348,032	69,356	—	—	869,572	1,527,181
Disposals (-)	(52,914)	(5,904)	—	(28,812)	(26,556)	—	—	—	(114,186)
At the end of the period	12,366,216	5,147,300	6,039,801	4,785,929	255,909	15,245	33,548	1,136,167	29,780,115
Depreciation									
At the beginning of the period	—	(483,883)	(663,138)	(3,007,956)	(143,626)	(3,771)	(28,175)	—	(4,330,549)
Accruals	—	(43,948)	(229,791)	(378,452)	(40,482)	(785)	(1,741)	—	(695,199)
Disposal of depreciation (+)	—	1,536	—	19,540	24,774	—	—	—	45,850
At the end of the period	—	(526,295)	(892,929)	(3,366,868)	(159,334)	(4,556)	(29,916)	—	(4,979,898)
Balance									
At the beginning of the period	12,180,514	4,669,321	5,375,058	1,458,753	69,483	11,474	5,373	266,595	24,036,571
At the end of the period	12,366,216	4,621,005	5,146,872	1,419,061	96,575	10,689	3,632	1,136,167	24,800,217

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11. Property, plant and equipment (continued)

For the year ended 31 December 2018	Land plots	Residential buildings	Non-residential buildings	Machinery and equipment	Production and maintenance tools	Facilities	Vehicles	Construction in progress	Total
Cost									
At the beginning of the period	12,051,354	4,626,847	5,865,655	4,347,715	203,080	16,115	36,006	1,459,406	28,606,178
Additions	129,160	245	225,814	312,509	19,334	—	251	36	687,349
Disposals (-)	—	—	(53,273)	(193,515)	(15,798)	(870)	(2,709)	(660,242)	(926,407)
FTIP transfer to the main balance sheet	—	526,112	—	—	6,493	—	—	(532,605)	—
At the end of the period	12,180,514	5,153,204	6,038,196	4,466,709	213,109	15,245	33,548	266,595	28,367,120
Depreciation									
At the beginning of the period	—	(379,795)	(554,581)	(2,731,304)	(130,990)	(3,227)	(29,168)	—	(3,829,065)
Accruals	—	(104,088)	(132,298)	(426,513)	(27,259)	(840)	(1,716)	—	(692,714)
Disposal of depreciation (+)	—	—	23,741	149,861	14,623	296	2,709	—	191,230
At the end of the period	—	(483,883)	(663,138)	(3,007,956)	(143,626)	(3,771)	(28,175)	—	(4,330,549)
Balance									
At the beginning of the period	12,051,354	4,247,052	5,311,074	1,616,411	72,090	12,888	6,838	1,459,406	24,777,113
At the end of the period	12,180,514	4,669,321	5,375,058	1,458,753	69,483	11,474	5,373	266,595	24,036,571

11. Property, plant and equipment (continued)

Construction in progress. Construction in progress includes construction and reconstruction of property, plant and equipment. A large part of reconstruction and construction of property, plant and equipment is financed by FTIP. In 2018, expenses associated with construction in progress in Stary Oskol, Olminkogo street, 17, were capitalized within the balance of construction in progress. In 2018, the project statement for the construction of NUST MISiS' campus in the amount of RUB 660,000 thousand was written off the balance of construction in progress. This is due to changes in management plans related to the construction of the campus. Additions to construction in progress in 2019 are mainly represented by an addition described in the *Investment contracts* below.

Additions to property, plant and equipment. In April 2018, the dormitory in Stary Oskol was put into operation. It was financed using the funds of FTIP. In 2018, the University received land plots in Moscow amounting to RUB 129,160 thousand as well as two buildings located on these land plots from the founder. Their fair value amounted to RUB 218,911 thousand. Following the merger with the Gubkin Branch of NUST MISiS, the Stary Oskol Branch of NUST MISiS transferred property, plant and equipment and land plots in the amount of RUB 177,800 thousand.

In June 2019, the University was granted a perpetual right to use a land plot in Nikolo-Uryupino village of Moscow Region. The cadastral value of the land plot amounts to RUB 238,616 thousand, with the addition recorded in the line item "Other revenue from exchange transactions" of the consolidated statement of financial performance (Note 32).

Investments contracts. The University was reorganized through a merger with Moscow State Mining University (MGGU) that became the University's structural unit in 2014. MGGU had non-current assets that were transferred under investment contracts for construction of new academic and administrative buildings. In NUST MISiS' financial statements, the cost of investments was measured at the fair value of buildings, structures and land plots transferred under investment contracts. The fair value of land plots transferred under investment contracts was RUB 519,565 thousand. The fair value of buildings and structures transferred under investment contracts was RUB 15,600 thousand. Following the court ruling to terminate the investment contract with OOO CenterstroyService in 2016, a certain part of investments within the land plot of RUB 277,669 thousand and non-residential buildings of RUB 15,600 thousand was reclassified to property, plant and equipment. In 2017, the court ruled to terminate the investment contract with OOO Realtservice, after which the remaining part of land plots of RUB 241,896 thousand was reclassified from investments to property, plant and equipment.

During the court proceedings with OOO Realtservice in 2019 for the reimbursement of the costs to build a facility at Moscow, Leninsky prospect, 6, buildings 14-15-16-19, the University recorded an increase in the carrying amount of the facility equaling the claim in the amount of RUB 865,706 thousand, including RUB 258,000 thousand recorded as income for the current period within the line item "Other revenue from exchange transactions" and RUB 607,706 thousand recorded against the provision for legal claims for 2019 (Note 17).

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12. Intangible assets

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

For the year ended 31 December 2019	Website	Patents	Software	Know-how	Computer software licenses	Right to use educational platforms	R&D in progress	Total
Cost								
At the beginning of the period	8,273	29,530	5,766	21,603	72,669	50,000	3,266	191,107
Additions	1,800	2,325	1,705	20,905	21,333	6,000	488	54,556
Disposals	–	(748)	–	(378)	–	–	–	(1,126)
Transfers from CIP	–	–	–	–	–	–	–	–
At the end of the period	10,073	31,107	7,471	42,130	94,002	56,000	3,754	244,537
Amortization								
At the beginning of the period	(69)	(4,653)	(2,168)	(6,671)	(45,648)	(17,857)	–	(77,066)
Accruals	(1,292)	(1,497)	(1,153)	(5,999)	(15,743)	(6,143)	–	(31,827)
Disposal of amortization	–	165	–	10	–	–	–	175
At the end of the period	(1,361)	(5,985)	(3,321)	(12,660)	(61,391)	(24,000)	–	(108,718)
Balance								
At the beginning of the period	8,204	24,877	3,598	14,932	27,021	32,143	3,266	114,041
At the end of the period	8,712	25,122	4,150	29,470	32,611	32,000	3,754	135,819

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12. Intangible assets (continued)

For the year ended 31 December 2018	Website	Patents	Software	Know-how	Computer software licenses	Right to use educational platforms	R&D in progress	Total
Cost								
At the beginning of the period	–	28,203	4,248	15,061	50,003	40,000	13,044	150,559
Additions	–	87	1,518	6,542	22,666	10,000	241	41,054
Disposals	–	(506)	–	–	–	–	–	(506)
Transfers from CIP	8,273	1,746	–	–	–	–	(10,019)	–
At the end of the period	8,273	29,530	5,766	21,603	72,669	50,000	3,266	191,107
Amortization								
At the beginning of the period	–	(2,183)	(1,763)	(4,985)	(30,809)	(11,428)	–	(51,168)
Accruals	(69)	(2,976)	(405)	(1,686)	(14,839)	(6,429)	–	(26,404)
Disposal of amortization	–	506	–	–	–	–	–	506
At the end of the period	(69)	(4,653)	(2,168)	(6,671)	(45,648)	(17,857)	–	(77,066)
Balance								
At the beginning of the period	–	26,020	2,485	10,076	19,194	28,572	13,044	99,391
At the end of the period	8,204	24,877	3,598	14,932	27,021	32,143	3,266	114,041

12. Intangible assets (continued)

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

Below are the descriptions of the groups of intangible assets.

Know-how stands for any information (inventions, original technology, knowledge and skills) that is protected by trade secret and can be subject to purchase and sale or may be used for achieving a competitive advantage over other businesses.

A patent means a protection document certifying an exclusive right, authorship and priority of an invention, useful model or industrial prototype.

A software product is software designed for a specific group of consumers and used by NUST MISiS to carry out research and development per any terms of reference that contain client requirements.

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

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

The website is the website of NUST MISiS, which was under development and was put into operation in 2018.

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

R&D in progress. As at 31 December 2019, R&D in progress mostly represents the capitalized cost of obtaining patents and international registration of patents in the amount of RUB 3,754 thousand (31 December 2018: RUB 3,266 thousand).

13. Trade and other payables

	31 December 2019	31 December 2018
Trade payables	156,734	87,267
Other payables	4,087	2,564
Total financial payables	160,821	89,831
Payroll payable	235,861	238,645
Total non-financial payables	235,861	238,645
Total accounts payable	396,682	328,476

Payables are denominated in Russian rubles.

13. Trade and other payables (continued)

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

Payroll payable includes provisions for future vacations and bonuses for Departments' performance in 2019, payable within 12 months after the reporting date, in the amount of RUB 190,977 thousand and RUB 196,311 thousand as at 31 December 2019 and 31 December 2018, respectively.

14. Taxation

	31 December 2019	31 December 2018
Value-added tax	45,600	27,544
Property tax and land tax	8,946	29,175
Personal income tax	—	88
Other tax settlements	52,335	95,111
Total taxation	106,881	151,918

Other taxes payable include liabilities accrued on social security contributions in connection with the recognition of liabilities for bonuses and future vacations payable within twelve months after the reporting date of RUB 52,335 thousand and RUB 50,460 thousand at 31 December 2019 and 31 December 2018, respectively.

15. Advances received for non-exchange transactions

	31 December 2019	31 December 2018
Advances received for non-exchange transactions		
Grant to support National Technological Initiative Center for Quantum Communications	207,140	179,500
Competitiveness Enhancement Program	170,807	44,428
Grant in the form of subsidy under Young Professionals federal project	9,099	—
Other subsidies for other purposes	6,502	3,825
Subsidies received to pay scholarships	194	545
Subsidy to purchase highly valuable property	—	109,600
Total advances received for non-exchange transactions	393,742	337,898

Payables under the subsidy to purchase highly valuable property, the Competitiveness Enhancement Program, and the subsidy in the form of a government grant to support the National Technological Initiative Center for Quantum Communications, represent an advance received to implement government programs. The subsidies are included in income for the reporting period in the amount of approved expenses as they are incurred. Balances unused in the current year are blocked in the account of NUST MISiS and can be used in the next reporting period for the same purposes upon approval by the Russian Ministry of Science and Higher Education. Payables under subsidies for other purposes mainly represent subsidies to acquire property, plant and equipment.

16. Advances received for exchange transactions

	31 December 2019	31 December 2018
Advances received for exchange transactions		
Advances received on income from fee-based work and services	376,140	238,020
Advances received on income generated by property	11,885	35,525
Advances received on other income	461	1,163
Total advances received for exchange transactions	388,486	274,708

Included in advances received on income generated by property are advances received from lessees of the premises under the University's operational management.

17. Provisions for liabilities and charges

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

	2019	2018
Carrying amount at 1 January	265,284	258,000
Increase in provision	636,058	7,284
Carrying amount at 31 December	901,342	265,284

Provisions for liabilities and charges are primarily represented by a provision for a legal claim arising on the merger with MGGU in the amount of RUB 865,706 thousand relating to the claim from OOO Realtservice to NUST MISiS due to the termination of the investment contract signed by MGGU before the merger. The next court proceeding is scheduled for 23 June 2020. Management estimates the probability of an unfavorable outcome as high; consequently, the University provided for the entire amount of the claim. Yet, the amount to be fully reimbursed to OOO Realtservice in the case is included in the carrying amount of the facility under construction located at Moscow, Leninsky prospect, 6, buildings 14-15-16-19 (in accordance with IPSAS 17 *Property, Plant and Equipment* (Note 11)).

18. Settlements with the founder

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cost		
At the beginning of the period	26,927,150	27,234,884
Additions to property, plant and equipment	246,622	560,363
Disposals	(67,096)	(868,097)
At the end of the period	27,106,676	26,927,150
	For the year ended 31 December 2019	For the year ended 31 December 2018
Depreciation		
At the beginning of the period	(3,298,517)	(2,971,996)
Accruals	(621,869)	(488,563)
Disposal of depreciation	46,744	162,042
At the end of the period	(3,873,642)	(3,298,517)
Balance		
At the beginning of the period	23,628,633	24,262,888
At the end of the period	23,233,034	23,628,633

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
Highly valuable movable property	2,535	203,909
<i>including:</i>		
<i>Machinery and equipment</i>	2,535	197,183
Construction in progress	3,866	36
Buildings	1,605	226,059
Land plots	238,616	129,160
Facilities	—	1,199
Total additions to property, plant and equipment	246,622	560,363

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19. Revenue from educational services

	2019	2018
Educational services provided as part of the public engagement	2,623,831	2,294,715
Fee-based educational services	754,121	609,456
Total revenue from educational services	3,377,952	2,904,171

20. Revenue from research and development work

	2019	2018
R&D work under commercial contracts	550,131	697,384
R&D work under federal special purpose programs	233,227	251,933
R&D work under public engagement	193,756	254,908
Scientific and technical services	102,598	69,089
Funding under Young Professionals federal project	61,367	–
Grants to leading scientists	28,400	25,710
Support to young scientists	–	3,000
Grants to leading schools of sciences	–	68
Total revenue from research and development work	1,169,478	1,302,092

21. Subsidies for the development of the University

	2019	2018
Subsidies under Competitiveness Enhancement Program (Project 5-100)	734,602	959,640
Subsidies for the development of the University's property	176,209	702,194
Total subsidies for the development of the University	910,811	1,661,834

22. Subsidies and donations for scholarships

Included in receipts are the following types of subsidies and donations for scholarships:

	2019	2018
Student scholarships	309,620	298,119
Individual scholarships	10,282	21,909
Total subsidies and donations for scholarships	319,902	320,028

22. Subsidies and donations for scholarships (continued)

The following types of subsidies and cash transfers are included in expenses:

	2019	2018
Student scholarships	(334,722)	(332,511)
Social support allowances	(34,892)	(22,765)
Total scholarships and transfers	(369,614)	(355,276)

In 2019, student scholarships included scholarships of RUB 25,107 thousand awarded under competitiveness program **Project 5/100** (2018: RUB 31,519 thousand). Funds received for the payment of the scholarships are included in income from non-exchange transactions under competitiveness program **Project 5/100**.

23. Grants from research foundations

Revenue includes the following grants from research foundations:

	2019	2018
Grants from RSF	180,005	132,640
Grants to support National Technological Initiative Center for Quantum Communications	89,660	50,000
Grants from RFBR for research	590	7,500
Total grants from research foundations	270,255	190,140

24. Salaries, compensation under civil contracts and charges for said payments

	2019	2018
Salaries	(2,974,874)	(2,883,967)
Social security contributions accrued	(785,728)	(765,864)
Compensation under civil contracts	(95,935)	(142,464)
Other payments	(11,634)	(16,328)
Total salaries, compensation under civil contracts and charges for said payments	(3,868,171)	(3,808,623)

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(in thousands of Russian rubles)

25. Outsourced services

	2019	2018
Repair work	(601,000)	(471,381)
Utilities	(292,240)	(276,942)
Maintenance, premises and assets	(121,553)	(70,903)
Information and consulting services	(87,812)	(112,354)
Research and development services	(81,596)	(169,492)
Maintenance, equipment and utilities	(68,567)	(31,286)
Security, cash collection services	(45,521)	(25,555)
Software maintenance, fine-tuning and acquisition	(28,856)	(20,800)
Events, seminars, conferences	(27,526)	(29,490)
Telecommunications	(16,415)	(12,903)
Bank fees	(8,152)	(8,269)
Lease of premises	(6,907)	(12,582)
Development of design documentation	(5,982)	(12,238)
Professional development	(4,096)	(15,835)
Insurance	(885)	(1,135)
Other services	(90,063)	(91,748)
Total outsourced services	(1,487,171)	(1,362,913)

Other services in 2019 and 2018 included legal protection of intellectual property, representing the University in patent authorities, organization and technical support services, etc.

26. Other expenses

	2019	2018
Advertising	(86,196)	(71,403)
Revaluation of land plots	(48,298)	—
Business trips	(39,098)	(49,790)
Organizing social functions	(25,765)	(52,993)
Membership fees	(8,279)	(9,427)
Transport and accommodation allowances to students	(5,110)	(9,339)
Other expenses	(33,130)	(11,981)
Total other expenses	(245,876)	(204,933)

27. Taxes and levies

	2019	2018
Land tax	(75,289)	(86,424)
Property tax	(67,893)	(74,778)
State duties and charges	(10,679)	(8,706)
Transport tax	(210)	(298)
Environmental pollution charge	—	(907)
Total taxes and levies	(154,071)	(171,113)

28. Income tax

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

	2019	2018
Current income tax	60,881	7,150
Deferred tax	8,564	10,197
Total income tax	69,445	17,347

The current income tax rate applicable to NUST MISiS is 20%.

29. Statement of comparison of budget and actual amounts

Below is a reconciliation between the actual amounts on comparative basis, as presented in the statement of comparison of budget and actual amounts, and actual amounts in the statement of cash flows for 2019. The financial statements have been prepared for 2019 and include all of the NUST MISiS' branches and the Endowment Fund. The budget has also been prepared for 2019 and includes all of the NUST MISiS' branches, but does not include the Endowment Fund. 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	Financing activities	Total
Actual amounts on comparative basis, as presented in the budget and statement of comparison of budget and actual amounts	839,483	(388,369)	–	451,114
Differences in the basis of accounting	(5,232)	(34,656)	–	(39,888)
Actual amount in the statement of cash flows less cash flows of the Endowment Fund	834,251	(423,025)	–	411,226
Actual cash flows of the Endowment Fund	(374)	(135,949)	152,137	15,814
Actual amount reported in the statement of cash flows	833,877	(558,974)	152,137	427,040

The differences in the basis of accounting include the total adjustment of RUB 39,889 thousand to income and expenses before net cash flows under RAS. The adjustment includes foreign exchange differences on deposits of RUB 17,536 thousand.

30. Financial risk management

The risk management function within NUST MISiS is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objective of financial risk management is 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 the internal policies and procedures to minimize these risks.

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

	Note	31 December 2019	31 December 2018
Cash and cash equivalents			
Cash in bank settlement accounts	7	2,160,683	1,695,727
Treasury	7	489,204	530,019
Deposits placed for less than three months	7	—	42,061
Cash on hand	7	948	901
Accounts receivable			
Trade receivables	8	335,766	159,031
Other financial receivables	8	13,042	23,885
Financial security for bids and contracts	10	38,368	23,407
Investments in shares and bonds of Endowment Fund			
Debt securities	9	391,667	211,599
Shares	9	1,028	821
Total financial assets		3,430,706	2,687,451
Accounts payable			
Trade payables	13	156,734	87,267
Other payables	13	4,087	2,564
Other liabilities	10	38,368	23,407
Total financial liabilities		199,189	113,238

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

Cash and cash equivalents are the most significant financial assets of the University. Management controls credit risk by establishing a list of banks with which the University may place cash and cash equivalents. The analysis of cash and cash equivalents by credit quality is presented in Note 7.

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

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

30. Financial risk management (continued)

Market risk. NUST MISiS takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest-bearing assets and liabilities that are exposed to general and specific market movements.

NUST MISiS caps the level of acceptable risk and monitors it on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The NUST MISiS' assets and liabilities are exposed to insignificant currency risk. As at 31 December 2019 and 31 December 2018, more than 80% of the University's financial assets and 100% of its financial liabilities were denominated in Russian rubles. In respect of currency risk, NUST MISiS sets limits on the level of exposure by currency and in total. The positions are monitored monthly.

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

The maturity analysis of financial liabilities is as follows:

31 December 2019	Note	On demand and less than 1 month	From 1 to 3 months	Total
Liabilities				
Trade payables	13	156,734	–	156,734
Other financial payables	10	38,368	–	38,368
Total payables, including future principal and interest payments		195,102	–	195,102

31 December 2018	Note	On demand and less than 1 month	From 1 to 3 months	Total
Liabilities				
Trade payables	13	87,267	–	87,267
Other financial payables	10	23,407	–	23,407
Total payables, including future principal and interest payments		110,674	–	110,674

31. 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.

Balances and transactions with related parties were as follows:

Related party transactions	Sale of goods and services		Purchase of goods and services	
	2019	2018	2019	2018
Associate	3,682	1,282	262	566
Other related parties	2,840	–	–	–
Total	6,522	1,282	262	566

Payables to and receivables from related parties	Accounts receivable		Accounts payable	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Associate	306	120	327	1,158
Total	306	120	327	1,158

Compensation to key management personnel

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

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

	2019	2018
<i>Short-term benefits:</i>		
- Incentive benefits, bonuses and increments	134,872	165,304
- Salaries	123,530	107,535
- Social insurance contributions	50,375	52,828
- Other payments	10,139	22,798
Total	318,916	348,465

32. Contingencies and commitments, contingent assets

Legal proceedings. From time to time and in the normal course of operations, claims against the University may be filed. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims other than those provided against as at 31 December 2019 (Note 17).

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 tax reviews for three calendar years preceding the year of review decision. 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 RUB 70,036 thousand (31 December 2018: RUB 153,952 thousand).

Contingent assets. As a result of merger of Moscow Mining University to NUST MISiS in 2014, the University was transferred a land plot in the Moscow Region, Nikolo-Urupino village. Until 2000, the land plot and the buildings on it were used as a summer base of the Reserve Officer Training Department. Since then, the property has been out of use. As at 31 December 2018, the land was the property of the state, and management planned to complete registration of operational management rights to it and consult the founder to develop a strategy for its further use. The cadastral value of the land plot was RUB 238,616 thousand. In June 2019, the University was granted perpetual right to use the land plot (Note 11). Management is currently considering options for using or trading the land in consultation with the founder.

33. Subsequent events

Due to the recent rapid spread of coronavirus pandemic (COVID-19), many countries, including Russia, imposed quarantine measures that have significantly affected the size and scale of business in the market. It is expected that both the pandemic itself and mitigating measures may negatively affect businesses in various industries. The University regards the pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be reliably measured at the moment. The University, however, expects no significant negative impact on its financial performance or financial position, as all its key operating processes have gone remote, including learning, summer exams and next year's admissions cycle.

Since March 2020, equity, currency and commodity markets have shown significant volatility, including a drop in oil prices and depreciation of the Russian ruble against US dollar and euro. Management is currently analyzing a potential impact of changing micro- and macroeconomic conditions on the financial position and performance of the University.



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