



International Public Sector Accounting Standards

Financial Statements and Independent Auditor's Report

31 December 2018

**Federal State Autonomous Educational Institution of 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 2018

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MESSAGE FROM THE RECTOR



Dear colleagues,

I am pleased to present our annual financial statements for 2018. Our university is building an efficient management system based on the principles of openness and transparency. This financial report, which was prepared according to international standards, provides our partners with objective information on the University's assets and liabilities, as well as the main changes in the financial position of the National University of Science and Technology ("NUST MISiS").

The statements contain information on the University and its four Russian and two international branches, as well as a representative office. NUST MISiS is sharing the best educational, scientific, and research practices across Russia's regions and in neighbouring countries. The University has expanded its geographic footprint, having opened a branch in the town of Gubkin (Belgorod Region) in 2017 and a branch in Almaty, Uzbekistan, in 2018.

In 2018, NUST MISiS celebrated its centennial (the foundation of its antecedent, the Moscow Mining Academy). Today, we are a dynamically developing university and one of the leaders of the

5-100 Programme. NUST MISiS has developed a distinct scientific and research agenda, while engendering a creative international environment and attracting leading students and talented researchers and professors.

In November 2018, the Russian Ministry of Science and Higher Education released its financial management rankings of Russian universities. For the third consecutive year, NUST MISiS was among the leaders in financial management, thanks to its strong planning, financial stability, compliance with laws and regulations, and well-developed roadmap for improving the faculty and staff remuneration system.

In 2018, NUST MISiS's aggregate income was RUB 7,332 million. At the end of the year, NUST MISiS had a high level of current liquidity, with balances in cash and cash equivalent accounts equal to 31% of annual revenue and low liabilities equal to 5% of the balance sheet total.

In 2018, we invested RUB 1,007 million in new infrastructure, an increase of 22% over 2017. We have renovated around 2,500 square meters of premises and have built several new lecture halls and research labs. The facades of the buildings at Leninsky Prospekt 4 and Leninsky Prospekt 6 (Buildings 1, 3 and 7), as well as adjacent territories, have been renovated as part of a comprehensive programme. To help integrate the university's open campus into the urban environment, NUST MISiS restored the historic passageway between campus and Gorky Park. The University is also implementing a comprehensive security programme.

NUST MISiS is participating in a Russia's Modern Digital Educational Environment, a high-priority state programme. In 2012, the University launched Digital MISiS, a digital programme that covers our work in adopting new educational technology, using digital tools in scientific research and developing digital services for students, faculty, and staff. For more than five years running, NUST MISiS has helped to organise EdCrunch, Europe's largest international conference on new educational technology, bringing together leading Russian and international experts, university administrators, and companies to discuss new ideas and trends in education.

In 2018, NUST MISiS won a state grant from the Russian Venture Company as part of the National Technological Initiative. In October 2018, the University opened the National Technological Initiative Center for Quantum Communications. The centre is working on the development of quantum cryptography, theoretical grounds for quantum communications, and the training of highly skilled specialists. Leading Russian research and educational institutions and small innovative enterprises have joined the consortium to collaborate on the project.

According to the Monitoring the Quality of University Admissions report, NUST MISiS has been among the top five technical universities in Russia in recent years. With its academic and business partners, our university has developed and implemented joint educational programmes that, along with a successful enrolment campaign, ensured a 23% increase in revenue generated from educational services in 2018.

NUST MISiS has successfully integrated business perspectives into its environment and curricula by collaborating on educational, research, infrastructural, and social projects with industry. In recent years, the University has been the leading institution in terms of cooperation between students and industry both in Russia and globally, averaging between 95-100 points out of 100 on this indicator. Every year, the University collaborates with business on more than 500 R&D projects.

In the 2018 QS World University Rankings, NUST MISiS was ranked among the top 500 universities in the world. The University occupies leading positions in the Times Higher Education (THE), QS, and ARWU rankings in ten subject areas, including in the top 100 universities for "Engineering and Mining (QS rankings)" and "Engineering and Metallurgy" (ARWU rankings), and in the 101+ group in materials science (QS rankings).

NUST MISiS has all of the key ingredients needed to become one of the leading technical universities in the world, including a well-defined strategic plan aimed at a fundamental transformation of all University activities, determined students, talented faculty and researchers, modern teaching and research infrastructure, and the support of the business community.

A. A. Chernikova
Rector, NUST MISiS



FINANCIAL REVIEW

1. Key Financial Results

NUST MISiS is creating a stable financial model of its activities. In 2018, it received a positive net cash flow from operating activities of RUB 1,142,595 thousand, while aggregate positive net cash flow constituted RUB 865,681 thousand.

According to the statement of financial performance, sales revenue amounted to RUB 7,332,490 thousand, an increase of RUB 953,917 thousand or 15% due to an increase in revenue from educational activities and fundraising from the Moscow Government for modernisation of the University's infrastructure.

In 2018, the University's net assets did not change significantly; their value amounted to RUB 25,545,927 thousand and the accumulated surplus increased by 64%, constituting RUB 1,677,791 thousand. Current assets have increased by 65%, reaching RUB 2,750,284 thousand due to an increase in cash balances and the inclusion of the Endowment Fund into consolidation.

The current liquidity ratio of 2.0 shows that the University has a high level of liquidity to serve its current liabilities (current assets exceed current liabilities by 100%). Equity to assets ratio was 0.95 (standard ratio is 0.5 and higher), showing that the University is independent from external sources of funding.

2. Competitiveness Enhancement Programme

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

The programme assists our University to grow into a world-class university in key areas of research, education, and management.

On 27 October 2017, NUST MISiS presented its development strategy to the Board of the Competitiveness Enhancement of Leading Russian Universities among Leading Global Research and Educational Centres Programme. The performance results demonstrated by NUST MISiS in 2016-2017 received high marks from the experts on the Board. Once again, NUST MISiS was ranked in the leading group of universities participating in the Project 5-100 and was awarded RUB 808,808 thousand, the maximum amount of financing allowed.

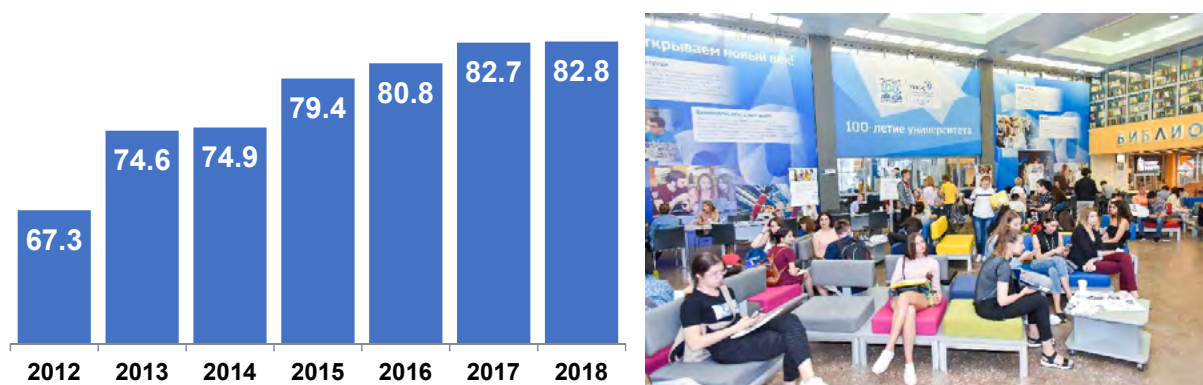
Throughout the course of the Project (2013-2018), NUST MISiS has continued to transform into an international cross-disciplinary scientific and technology centre.

3. Educational Services

In 2018, the University had 18,419 students, including 12,854 in the higher education programmes, 1,465 in the secondary vocational education programme, and 4,100 in the continuing vocational education programme.

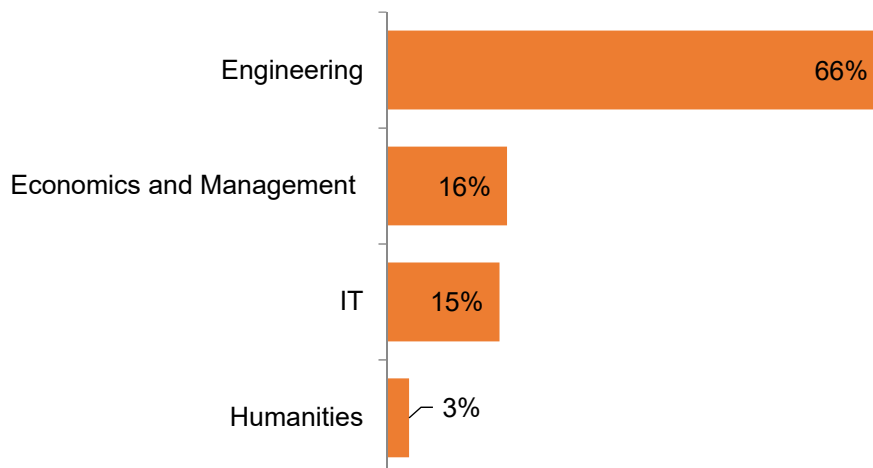
From year to year, the University attracts better-prepared and more determined matriculating students. In 2018, the admissions campaign was the best for NUST MISiS. In 2012, the average score on the Unified State Examination was 67.3 points; while in 2018, it reached 82.8 points out of 100.

Figure 1. Average scores of incoming NUST MISiS students on the Unified State Examination by year.



NUST MISiS actively promotes Russian higher education abroad. Over 24% of the University's students are international students from 75 countries. International students also study at the University's international branches in Tajikistan (Dushanbe) and Uzbekistan (Almalyk).

Figure 2. Student body by field of study, 2018, %.



Tuition increased by 2.8%, which is within the inflation rate, set by the Federal Budget of the Russian Federation for 2018 and planning periods of 2019-2020. The tuition fees of NUST MISiS are competitive with other leading technical universities of Moscow.

In 2018, revenues from educational programmes yielded RUB 2,854,893 thousand, an increase of 19% from 2017.

4. Dormitories

The total floor space of the university's dormitories constitutes 119,924 thousand square meters. The residence hall areas include 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, which fully covers the University's demand. Dormitories at the University's branches can house up to 940 individuals. A new dormitory was opened at the A.A. Ugarov Technological Institute in Stary Oskol, a branch of NUST MISiS. It can comfortably house 500 students and 35 faculty members and their families.

Figure 3. Dormitory of the Stary Oskol Technological University, NUST MISiS, Belgorod Region.



For Russian government-supported students, the price of living in one of the NUST MISiS dormitories in Moscow ranges from RUB 1,600 to RUB 2,150 per month. At the branches the dormitory fee varies from RUB 284 to RUB 766.13 per month. Low prices and comfortable conditions provide a distinct competitive advantage to our University.

5. Financial Support of Students

Students can receive financial support from the federal budget, University funds, and the business community. In 2018, the total financial support provided to students equalled RUB 388,969 thousand, up 5% vs. 2017.

The opportunity to participate in cultural and recreational events is an important component in the creation of a healthy, well-rounded education at NUST MISiS. To support these endeavours, the University spent RUB 64,924 thousand, in 2018, an increase of 18% from the previous year.

See below for some of the top University-sponsored events financed in 2018.

Figure 4. NUST MISiS celebrated its 100th anniversary, "Meeting of Generations".



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Figure 5. Nationalities Day. Students representing 22 nationalities from 18 different Moscow universities as well as representatives of embassies and ambassadors from 10 countries participated in the celebrations.



Figure 6. Maker Faire Moscow: An international festival of individual production and most current technical solutions.



Figure 7. International Day of Nowruz. The event included national dances and songs of Kazakhstan, Uzbekistan, and Tajikistan.



6. Research and Development

The amount of funds from R&D activities and technical services was RUB 1,619,511 thousand. The University provided additional funding of RUB 539,618 thousand for research and development from the Competitiveness Enhancement Programme.

The University received 22% of its income from R&D, ensuring its sustainable development as a multi-profile research center. In 2018, 14 articles were published in top-rated journals included in the Top 1% according to the Source Normalized Impact per Paper (SNIP) rating with JF > 12, included in the international Web of Science and Scopus databases. In 2018, NUST MISiS continued to increase the number of publications written in collaboration with other leading world research centres (in 2014: 39.9%, in 2018: 45.9%).

In 2018, the College of New Materials and Nanotechnologies and the College of Environmentally Sound Technologies & Engineering were the leaders in the number of scientific research among the University's eight colleges.

Figure 8. Number of Publications per Academic Staff Member, 2013-2018, Scopus.

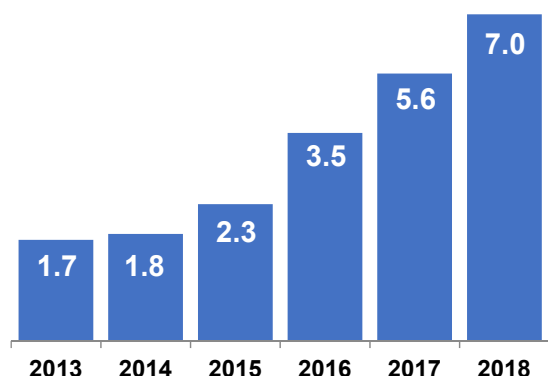
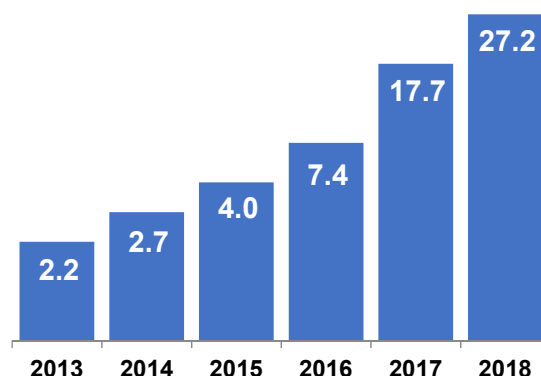


Figure 9. Number of Quotations per Academic Staff Member, 2013-2018, Scopus.



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 2018, the University received RUB 843,838 thousand including targeted financing from the budget of the city of Moscow for infrastructure development.

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

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

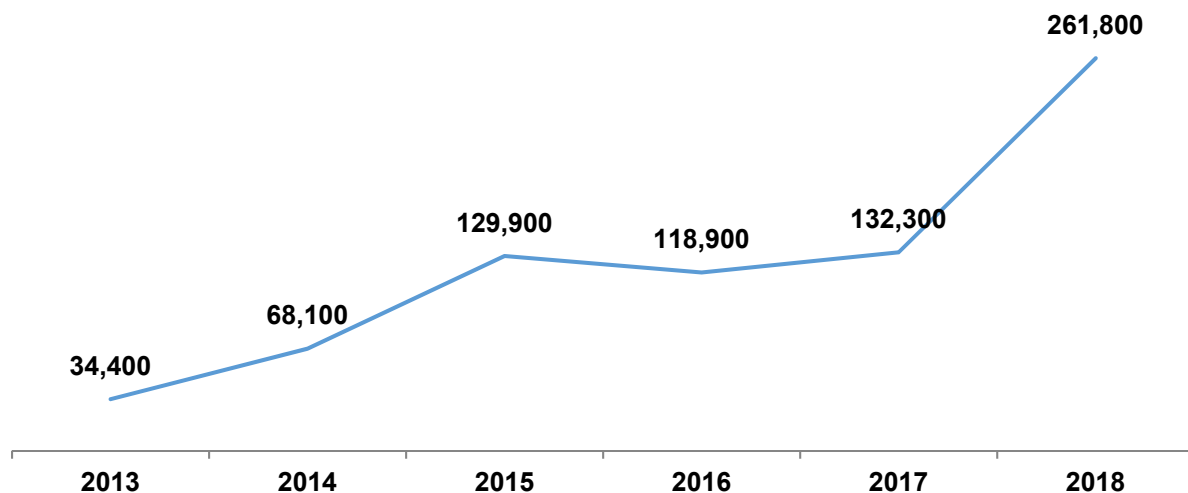
The Fund's governing bodies are the Managing Board and the Board of Trustees.

The Fund transfers the donations to management companies under trust management agreements. The NUST MISiS Endowment Fund has two endowments handled by two management companies: Management Company AO Eurofinances (Endowment 1) and ZAO "Gazprombank-Asset Management" (Endowment 2). All the cash is invested in bonds (federal / subfederal), shares, and deposits. In 2018, the endowment body was invested in currencies as follows Endowment 1 – 37.69%, Endowment 2 – 50%.

Table 1. Key Indicators of Endowment Fund.

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

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% on administrative expenses.

In 2018, the Fund's expenses amounted to RUB 3,581 thousand. The following University endeavors received financial support:

- Scholarship and grant programmes including the JSC "Giredmet" Award, the A.D. Deineko Scholarship by TMK (established by PAO "TMK"), the V.S. Strizhko Award (OJSC "TVEL", OJSC "Leading Scientific and Research Institute of Chemical Technology"), the V.A. Arutyunov Award (established by the Deputy Chairman of the Management Board RUSNANO Management Company LLC, Kiselev O.V.), the S.S. Gorelik Award, the SC Rosatom Scientific Grants Contest;
- Contests - "Student of the Year", "Teacher of the Year", and "Employee of the Year";
- Endowment breakfast;
- Developing scientific activities, including holding the Russian festival of popular science, Science MISiS;
- Organising and carrying out sessions on development of partnerships between nuclear entities and NUST MISiS within the framework of cooperation with the European Organisation for Nuclear Research (CERN).

Figure 11. Miss MISiS contest.



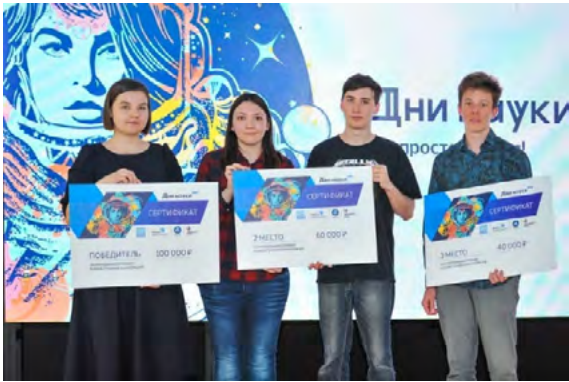
Figure 12. CUP MISiS Case, a competition on solving engineering cases.



Figure 13. Contest of joint projects of NUST MISiS and SC Rosatom.



Figure 14. Awarding the winners within the framework of 73 days of science at NUST MISiS.



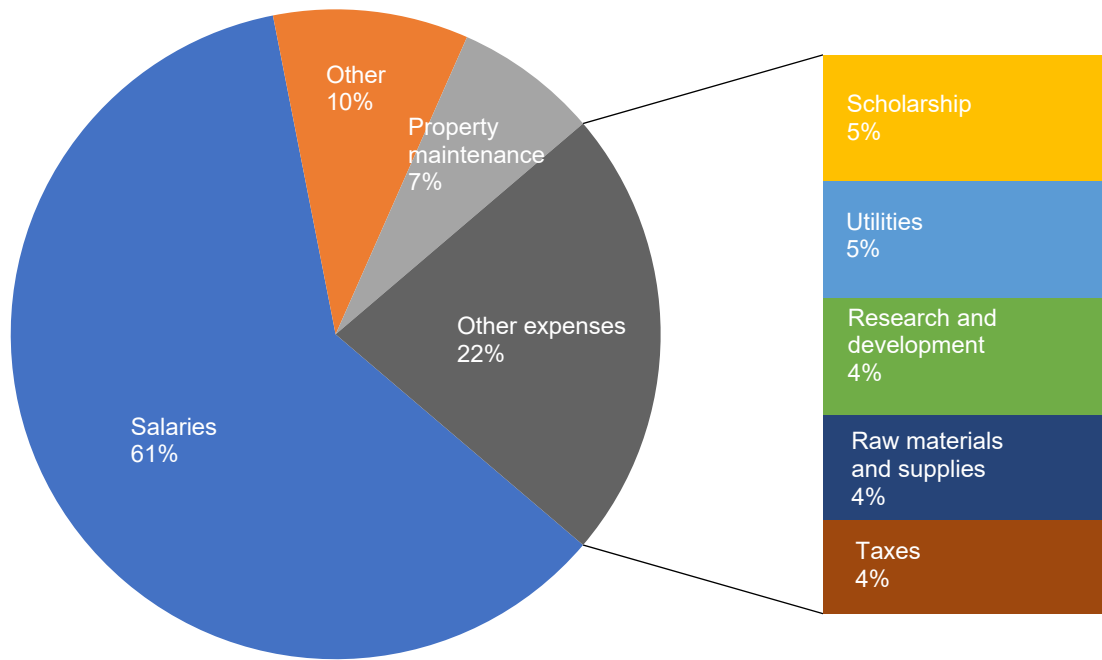
8. Operating Expenses

In 2018, University operating expenses increased by 2% to RUB 6,226,363 thousand. The biggest cost item is staff salaries – 61%.

This line item has increased by 9% or RUB 298,403 thousand. Higher staffing costs were driven by the Resolution of the Russian Government No. 772-r “On Approval of Plan of Actions (“road map”) for Changes in Social Segments Aimed at Enhancing the Efficiency of Education and Science” of 30.04.2014. Average monthly salaries across all staff have risen by 15%, including an increase of 20% for faculty.

The University’s average headcount is 2,739 employees, including 676 employees at the University’s branches.

Figure 15. Structure of the Group's Operating Expenses, 2018.



9. Investment Expenses

In 2018, the University's investment income was used to create scientific labs and comfortable learning conditions, improve the campus territory, and perform maintenance work. These improvements to infrastructure comprised RUB 1,007,187 thousand, including:

- Capital repairs and maintenance - RUB 528,309 thousand;
- Training and scientific equipment - RUB 369,189 thousand;
- Office and network equipment, furniture - RUB 109,689 thousand.

Major projects financed in 2018 are presented in figures 16-22.

Figure 16. Renovation of the entrance area and facades of Block B located at the address: Leninsky Prospekt 4, Bld.1.



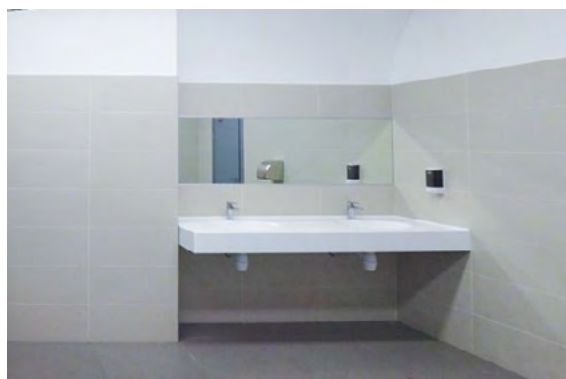
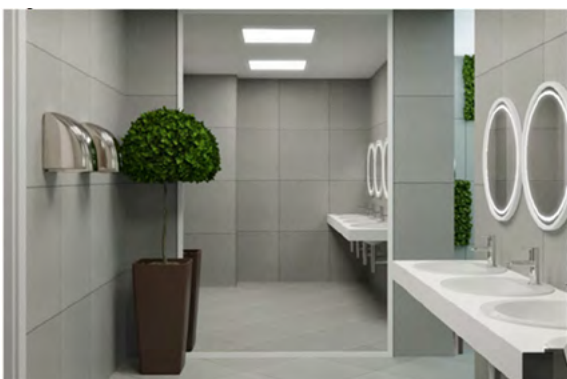
Figure 17. Renovation of facades: Leninsky Prospekt 6.



Figure 18. Renovation of the entrance area of Block K: Krymsky Val 3, Bld. 1.



Figure 19. Renovation of rooms and WC facilities: Leninsky Prospekt 4.



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Figure 20. Renovation of Lecture Hall B-2: Leninsky Prospekt 4, Bld. 1.



Figure 21. Repair of premises for advanced solar labs.



Figure 22. Creation of the academic complex "Birthplace of Innovations".



10. Management's Responsibility for Financial Statements

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

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

Internal control covers accounting and reporting, recruitment and training of 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

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Federal State Autonomous Educational Institution of Higher Education "The National University of Science and Technology "MISiS" (the "University") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

What we have audited

The University's consolidated financial statements comprise:

- The consolidated statement of financial position at 31 December 2018;
- The consolidated statement of financial performance for the year then ended;
- The consolidated statement of changes in net assets for the year then ended;
- The consolidated cash flow statement for the year then ended;
- The consolidated statement of comparison of budget and actual amounts for the year then ended; and
- Notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the Annual Report.

Our opinion on the consolidated financial statements does not cover the 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

26 June 2019

Moscow, Russian Federation



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

Audited entity: Federal State Autonomous Educational Institution of Higher Education "National University of Science and Technology" (VSES)

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 01 August 1997 under No. 066.824
Record made in the Unified State Register of Legal Entities on 23 October 2002 under State Registration Number 1027739439749

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

4 Leninsky Prospekt, Moscow, 119049, Russian Federation

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

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

**Federal State Autonomous Educational Institution of Higher Education
The National University of Science and Technology "MISIS"
Consolidated Statement of Financial Position
(in thousands of Russian Roubles)**

	Notes	31 December 2018	31 December 2017
Assets			
Current assets			
Cash and cash equivalents	7	2,268,708	1,403,027
Receivables and prepayments	8	189,443	191,811
Investments in shares and bonds of Endowment Fund	9	212,420	-
Taxes and charges overpaid		29,184	14,747
Inventories		27,122	28,997
Current income tax prepayment		-	4,328
Non-current assets to be returned to founder	10	-	12,152
Other assets	11	23,407	11,946
Total current assets		2,750,284	1,667,008
Non-current assets			
Property, plant and equipment	12	24,036,571	24,777,113
Intangible assets	13	114,041	99,391
Investments in associates		17,893	20,178
Deferred tax assets		11,586	21,783
Advances issued for construction and acquisition of property, plant and equipment		60	231
Total non-current assets		24,180,151	24,918,696
TOTAL ASSETS		26,930,435	26,585,704
Liabilities			
Current liabilities			
Advances received for non-exchange transactions	18	337,898	198,949
Trade and other payables	16	328,476	300,212
Advances received for exchange transactions	19	274,708	388,980
Provisions for future expenses and payments	20	265,284	258,000
Taxation	17	151,918	143,422
Income tax settlements with the budget		2,817	-
Other liabilities		23,407	11,946
Total liabilities		1,384,508	1,301,509
Settlements with founder	21	23,628,633	24,262,888
Accumulated surplus		1,677,791	1,021,307
Endowment Fund		239,503	-
Total net assets		25,545,927	25,284,195
TOTAL NET ASSETS AND LIABILITIES		26,930,435	26,585,704

Approved for issue and signed on 26 June 2019.



A.A. Chernikova
Rector

G. V. Timokhova
Chief Financial Officer

A.V. Kravtsova
Chief Accountant

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

**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 Roubles)**

	Notes	2018	2017
Revenue			
REVENUE FROM EXCHANGE TRANSACTIONS		4,945,100	4,525,247
Educational services	22	2,904,171	2,385,509
Research and development services	23	1,302,092	1,539,489
Rental revenue		422,114	402,187
Other services		311,655	198,062
Other revenue from exchange transactions		5,068	-
REVENUE FROM NON-EXCHANGE TRANSACTIONS		2,387,390	1,853,326
Subsidies for the development of the University	24	1,661,834	1,035,542
Subsidies and donations for scholarships	25	320,028	328,833
Donations for statutory activity		215,027	99,749
Grants from research foundations	26	190,140	90,105
Budget appropriation under FTIP		-	294,890
Other revenue from non-exchange transactions		361	4,207
Total revenue		7,332,490	6,378,573
Expenses			
Salaries, compensation under civil contracts and charges for said payments	27	(3,808,623)	(3,606,672)
Outsourced services	28	(1,362,913)	(1,267,930)
Property, plant and equipment write-off	12	(735,712)	-
Amortisation of PPE	12	(692,714)	(678,418)
Scholarships and transfers	25	(355,276)	(369,886)
Cost of raw materials and consumables used		(308,653)	(310,077)
Taxes and duties	30	(171,113)	(180,719)
Release/ (accrual) of impairment provision for accounts receivable		(42,748)	(20,517)
Amortisation of intangible assets	13	(26,404)	(23,788)
Provision for legal claims	20	(7,284)	-
Other expenses	29	(204,933)	(121,808)
Total expenses		(7,716,373)	(6,579,815)
Gain / loss on foreign exchange transactions		77,935	(10,129)
Participation in the results of associates and joint arrangements		(2,285)	(522)
Deficit for the period before taxes		(308,233)	(211,893)
Income tax	31	(17,347)	(2,367)
Deficit for the period		(325,580)	(214,260)

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

**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 Roubles)**

	Notes	Settlements with founder	Accumulated surplus / (deficit)	Endowment Fund	Total net assets
Balance at 1 January 2017		23,868,220	1,452,783	-	25,321,003
Deficit for the period			(214,260)	-	(214,260)
Depreciation of property plant and equipment under operational management	21	(512,809)	512,809	-	-
Additions to property, plant and equipment (real estate and highly valuable assets)	21	487,229	(487,229)	-	-
Reclassification of property, plant and equipment	21	900	(900)	-	-
Additions of property, plant and equipment contributed by founders	21	177,452	-	-	177,452
Reclassification from investments	12	241,896	(241,896)	-	-
Balance at 31 December 2017		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	21	(488,563)	488,563	-	-
Additions to property, plant and equipment (real estate and highly valuable assets)	21	212,553	(212,553)	-	-
Additions of property, plant and equipment contributed by founders		347,810	-	-	347,810
Disposal of property, plant and equipment	21	(706,055)	706,055	-	-
Primary recognition of 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	-	(44)	44	-
Balance at 31 December 2018		23,628,633	1,677,792	239,502	25,545,927

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

**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 Roubles)**

	Notes	2018	2017
Cash flows from operating activities			
Revenues from exchange transactions:			
Tuition fees		2,854,893	2,395,845
Payments for research and development services		1,201,720	1,676,673
Rental revenue		541,048	516,126
Payment for other services		265,681	174,143
including interest income		62,544	28,601
Revenues from non-exchange transactions:			
Subsidies for the development of the University		1,620,603	849,248
Grants from RFBR, RSF and NTI		369,185	97,796
Subsidies and donations for scholarships		289,136	330,517
Donations for statutory activity		226,657	90,451
Other revenue from non-exchange transactions		35	11,841
Total cash flows from operating activities		7,368,958	6,142,640
Salaries, compensation under civil contracts and charges for said payments		(3,778,172)	(3,479,769)
Third party services paid		(1,373,033)	(1,530,853)
Scholarships and transfers paid		(317,350)	(369,496)
Raw materials and supplies paid		(265,192)	(259,766)
Taxes and levies paid		(233,169)	(283,608)
Other expenses paid		(259,263)	(142,785)
Income tax paid		(184)	(24,289)
Total cash flows from operating activities		(6,226,363)	(6,090,566)
Net cash from operating activities		1,142,595	52,074
Cash flows from investing activities			
Purchases of property, plant and equipment		(339,539)	(207,092)
Loans originated / deposits placed		(262,039)	(242,883)
Proceeds from recovery of deposits and repayment of loans originated		264,670	251,753
Acquisition of investments held for sale	9	(173,077)	-
Proceeds from the sale of available-for-sale investments	9	82,783	-
Acquisition of intangible assets		(41,054)	(19,190)
Cash proceeds from Endowment Fund consolidation		41,328	-
Dividend income received		82	-
Net cash used in investing activities		(426,846)	(217,412)
Cash flows from financing activities			
Contributions to Endowment Fund		90,372	-
Net cash from financing activities		90,372	
Effect of exchange rate changes on cash and cash equivalents		59,560	(5,539)
Cash and cash equivalents at the beginning of the year		1,403,027	1,573,904
Net change in cash		865,681	(170,877)
Cash and cash equivalents at the end of the year		2,268,708	1,403,027

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

**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 Roubles)**

	Budget		Actual amounts on comparable basis	Performance difference
	Initial	Final		
Revenue				
Revenue from property	458,133	474,112	615,978	(141,866)
Revenue from fee-based services	1,919,432	1,445,273	1,372,806	72,467
Revenue from interest, penalties and other enforced collections	1,550	4,402	4,625	(223)
Gains on transactions with assets	-	210	70	140
Other income	2,876,499	5,331,922	5,314,001	17,921
including:				
Subsidies for fulfilment of public engagement	2,331,230	2,457,465	2,457,465	-
Subsidies for other purposes	315,131	1,375,404	1,375,404	-
Other income	230,138	1,499,053	1,481,132	17,921
Total income	5,255,614	7,255,919	7,307,480	(51,561)
EXPENSES				
Compensation of employees, including social security contributions	(3,699,220)	(3,822,267)	(3,713,696)	(108,571)
Purchases of services	(1,272,671)	(1,890,667)	(1,842,881)	(47,786)
including:				
Maintenance services	(331,524)	(437,185)	(430,371)	(6,814)
Utilities	(305,377)	(295,055)	(291,686)	(3,369)
Telecommunication services	(19,441)	(18,107)	(17,904)	(203)
Rent paid	(3,944)	(10,947)	(10,735)	(212)
Transportation services	(3,819)	(11,162)	(9,894)	(1,268)
Other work and services	(608,566)	(1,118,211)	(1,082,291)	(35,920)
Social security	-	(2,628)	(1,207)	(1,421)
Acquisition of non-financial assets				
including:				
Property, plant and equipment	(372,506)	(627,891)	(507,676)	(120,215)
Intangible assets	(222,230)	(462,073)	(350,405)	(111,668)
Inventories	-	-	-	-
Other expenses	(150,276)	(165,818)	(157,271)	(8,547)
Other expenses	(515,539)	(509,501)	(498,675)	(10,826)
Total expenditure	(5,859,936)	(6,852,954)	(6,564,135)	(288,819)
NET PAYMENTS	(604,322)	402,965	743,345	(340,380)

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

1. General Information

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

The University is a unitary not-for-profit organisation 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 moveable property assigned to the University by Rosimushchestvo or acquired by the University with the funding received from the founder for such acquisition, 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 Centres" 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 centres, the University is committed to carry out the competitiveness enhancement programme in accordance with the Plan of Actions agreed with the Russian Ministry of 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 centre for engineering education and science. The university forms a creative, international university environment, trains researchers and specialists, fosters bright and successful members of the society who can work together to find viable solutions to the world's most pressing technical and scientific challenges for the benefit of us all.

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

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

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

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

1. General Information (Continued)

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

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

As at 31 December 2018, NUST MISiS had four branches in the Russian Federation and a branch in Dushanbe (Tajikistan) and a branch in Almalyk (Uzbekistan). As at 31 December 2017, NUST MISiS had three branches in the Russian Federation and one branch in Dushanbe (Tajikistan).

Due to planned volumes of investments, from 1 January 2018, the University consolidates the Endowment Fund, which was previously a related party.

NUST MISiS has investments in associates with interest between 20% and 50%. As at 31 December 2018, the University had 36 associates (31 December 2017: 37 associates). Investments in associates are made to commercialise the University's R&D work. The University obtains interest in associates by contributing the rights to use intellectual property for which the University has exclusive rights.

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into the University's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the end of the reporting period. Gains or losses on foreign exchange transactions are presented in a separate line item "Gains / losses on foreign exchange transactions" in the Consolidated 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 Programme (Project 5-100). NUST MISiS mainly operates in the Russian Federation. The Russian Government is carrying out a programme aimed at developing education and science and ensuring that by 2020 at least five Russian universities are among top-100 global universities according to the world university ranking (QS).

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

The main goals of Project 5-100 are:

- Elaborating and taking actions aimed at creating long-term competitive advantages for the universities;
- Internationalizing all activities, developing infrastructure to engage the best scientists, teachers, managers and students;
- Producing world-class intellectual products;
- Building an outstanding academic reputation through conducting breakthrough research and engaging the world's best scientists;

2. Operating Environment of the University (Continued)

- Aligning the education programmes with best practices;
- Promoting collaboration between universities, industry and business;
- Exporting educational services.

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

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

Plan of actions to carry out a Competitiveness Enhancement Programme was defined in 2017 (Road Map) (4th stage for 2018–2020). In 2018, strategic initiatives and objectives of NUST MISiS' Road Map were carried out. One of the key results of these initiatives was securing a position in international rankings.

In 2017, an action plan for the implementation of the program to improve competitiveness was defined ("the Road Map"), (Stage 4 - 2018–2020). In 2018, the strategic initiatives and objectives of NUST MISiS' Road Map were implemented. One of the key results of these initiatives is that the University strengthens its position in international rankings.

In 2018, NUST MISiS:

- Demonstrated a significant improvement of rating in QS World University Rankings, 100 positions up year on year ranking 476th;
- Improved its position in the THE World University Rankings, rising from the 801+ category to 601+;
- Got 5 steps up in the QS Emerging Europe&Central Asia, EECA – from position 57 to 52;
- Improved its result in the QS ranking of leading BRICS universities, from 61 to 54;
- Improved its result in QS Emerging Europe&Central Asia, EECA by "share of international students" ranked 13th (2017: 11th) and by the share of international students among all ranked universities (Number 3 among Russian Universities);
- The University for the first time has entered the six subject ratings of THE, QS and ARWU taking 42nd QS World University Rankings by Subject in Engineering — Mineral&Mining and entering TOP 100 Shanghai Global Ranking of Academic Subjects in Metallurgical Engineering;
- Strengthened its positions in Webometrics Ranking of World Universities, rising by 255 positions. In the overall ranking, the University ranks 1,538 among 20,000 educational institutions of the world.

In accordance with the approved action plan, NUST MISiS should prepare consolidated financial statements in line with International Public Sector Accounting Standards for 2018.

3. Significant Accounting Policies

3.1 Basis of preparation

The consolidated financial statements for the year ended on 31 December 2018 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 consolidated financial statements are set out below. These accounting policies have been consistently applied to all the periods presented in consolidated financial statements, unless otherwise stated (refer to Note 4 for new and amended standards adopted by the University).

The preparation of consolidated financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or 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 not control, generally accompanying a share of between 20 and 50 percent of the voting rights. Investments in associates are recorded using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus NUST MISiS' share in the profit (loss) of the investees after their acquisition date.

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

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

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

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

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

3.3 Cash and cash equivalents

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

3.4 Financial assets

3.4.1 Initial recognition and measurement

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

NUST MISiS's 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 classification.

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

NUST MISiS receivables include:

3. Summary of Significant Accounting Policies (Continued)

3.4.2 Subsequent measurement (Continued)

- Settlements with payers of income on property;
- Settlements with payers of income on fee-based 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 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 on 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 recognised in surplus (deficit) for the year as investment income from Endowment Fund's investments. Dividends income on investment in available-for-sale financial instruments are recorded in surplus or deficit for the year in line item "Investment income on Endowment Fund's investments", when the 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 Endowment Fund's cash balance in the Consolidated Statement of Changes in Net Assets until investment is derecognised 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 recognised 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 recognised in surplus or deficit – is reclassified from 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 recognised within the Endowment Fund in the Consolidated 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 recognised in profit or loss, 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 the availability of objective indicators that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets are impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"); and such loss event has an impact on the estimated future cash flows on the financial asset or group of financial assets that can be reliably estimated.

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

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

3. Summary of Significant Accounting Policies (Continued)

3.4.3 Impairment of financial assets (Continued)

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

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

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

3.4.4 Derecognition of financial assets

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

- the assets expire or the 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 amortised cost using the effective interest method.

NUST MISiS payables include:

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

3. Summary of Significant Accounting Policies (Continued)

3.5.3 Derecognition

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

3.6 Offsetting financial instruments

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

3.7 Inventories

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

3.8 Property, plant and equipment

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.8 Property, plant and equipment (Continued)

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

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

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

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

Land plots and investments are not depreciated.

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

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

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

Income or expenses arising on derecognising property, plant and equipment (defined as the difference between net proceeds from disposal, if any, and the carrying amount of the PPE item) 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 recognised only when: (a) it is probable that the organisation will receive future economic benefits or value in use associated with this asset; and (b) the fixed asset cost or fair value can be reliably estimated.

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

3. Summary of Significant Accounting Policies (Continued)

3.10 Intangible assets (Continued)

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

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

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

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

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

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

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

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

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

3.11 Construction in progress

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

3.12 Impairment of non-financial assets

Impairment of cash generating assets. Cash generating assets are those assets that are held primarily for receiving income from commercial activities. At each reporting date, NUST MISiS assesses whether

3. Summary of Significant Accounting Policies (Continued)

3.12 Impairment of non-financial assets (Continued)

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

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.13 Provisions

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

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

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

3.14 Revenue from non-exchange transactions

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

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

Resources received from a non-exchange transaction and recognised as an asset should be recognised as revenues to the extent such resources exceed the financial liability which is recognised against such resources. Any asset acquired through a non-exchange transaction is initially recognised at fair value at the acquisition date. Revenues from non-exchange transactions is calculated as a gain in net assets recognised by NUST MISiS. If NUST MISiS recognises an asset as a result of a non-exchange transaction, then it also recognises revenues equivalent to the asset measured under IPSAS 23 p. 42 Revenue from Non-Exchange Transactions (taxes and transfers) unless it does not also require liability recognition. The amount recognised as a liability should represent the best estimate of the amount necessary to meet the current obligation at the reporting date. The estimate should account for risks and uncertainties associated with the event resulting in liability recognition.

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.14 Revenue from non-exchange transactions (Continued)

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

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

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

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

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

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

3.15 Revenue from exchange transactions

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

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

3. Summary of Significant Accounting Policies (Continued)

3.15 Revenue from exchange transactions (Continued)

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 subjects formulated in line with the priorities for science and technology development approved by the Russian Federation. Revenues from R&D services are recognised in the reporting period in which the services are rendered, by reference to the stage of completion of such transaction assessed on the basis of actual services provided, as a proportion of the total scope of services to be provided under the agreement. The proportion of services rendered is calculated by reference to the proportion of actual costs incurred under the agreement to total costs under the agreement. Revenues are presented net of VAT. Revenues are calculated based on the fair value of the consideration received or receivable.

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

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

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

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

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

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

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

- Accommodation in dormitories;
- Other types of services.

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

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

3. Summary of Significant Accounting Policies (Continued)

3.16 Employee benefits

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

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

3.17 Related parties

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

Related parties include:

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

The Endowment Fund, namely the Special Fund for Gathering the Earmarked Capital of NUST MISiS, is a related party as at 31 December 2017. The fund was set up exclusively with the purpose of gathering Endowment Fund and distributing it to NUST MISiS to support research and academic activities.

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

3.18 Income tax

Article 251 "Income Not Treated as Deductible for Tax Purposes" of Russian Tax Code' Chapter 25 provides that entities should not include earmarked proceeds in their tax base calculations (except for earmarked proceeds in the form of excisable goods). They include such earmarked proceeds to provide for non-commercial organisations and support their statutory activities that were provided gratuitously based on decisions by government agencies, local authorities and management bodies of state non-government funds, as well as earmarked proceeds from other organisations and/ or individuals and used by the recipients for the purpose intended. The taxpayers acting as recipients of the above earmarked proceeds are required to maintain separate accounting for income (expenses) received (incurred) as part of earmarked proceeds.

These requirements are met by NUST MISiS during the reporting period. Income tax for 2018 and 2017 was accrued on income from fee-based educational, research and other services.

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

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

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

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

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

3.19 Value added tax

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

3.20 Segment reporting

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

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

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

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

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

NUST MISiS Financial and Business Plan (hereinafter, the "Budget") is developed using the cash method, based on principles other than IPSAS. The consolidated financial statements of NUST MISiS are prepared using the accrual method and the classification based on the nature of expenses presented in the consolidated statement of financial performance. The approved budget covers the reporting period from 1 January 2018 to 31 December 2018 and all the branches of NUST MISiS.

Budget classification methods include classifications by the following categories:

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

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

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

4. New Accounting Pronouncements

IPSAS 39 Employee Benefits has become mandatory for annual periods beginning on 1 January 2018.

The new standard IPSAS 39 Employee Benefits does not have a significant influence on the consolidated financial statements. IPSAS 40 Public Sector Combinations, i.e. mandatory standard for the University's annual periods beginning on 1 January 2019, is not applicable to the University.

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 influence of the new standard.

IPSAS 42 Social Benefits is mandatory for the University's annual periods beginning on 1 January 2022. Currently, the University is assessing the influence of the new standard.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits or value in use embodied in the assets are consumed principally through their use. However, other factors, such as technical obsolescence and wear and tear of equipment, often result in the diminution in the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits or value in use for NUST MISiS. The following factors are taken into account:

(a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence of equipment.

If the useful lives of the University's assets increase by one year, depreciation charges will decline by RUB 47 million (2017: RUB 55 million). If the useful lives of the University's assets decrease by one year, depreciation charges will increase by RUB 56 million (2017: RUB 79 million).

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

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

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

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

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

Highly valuable movable assets are movable assets worth more than RUB 500,000 thousand acquired from state sources of financing.

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

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

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

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

6. Segment Information

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

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

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

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

Vyksa Branch of NUST MISiS offers higher education 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 education services in mining, management and technosphere safety.

The Endowment Fund was set up for gathering earmarked capital, using and distributing it to NUST MISiS to support research and academic activities.

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 technology;
- Biomedicine.

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

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

6. Segment Information (Continued)

In addition, NUST MISiS management identifies a separate category of "Other segments", where it discloses information about the following branches: Vyksa Branch of NUST MISiS; Gubkin Branch of NUST MISiS; Dushanbe Branch of NUST MISiS (Tajikistan); Novotroitsk Branch of NUST MISiS; Almalyk Branch of NUST MISiS (Uzbekistan) and Abkhazian Branch of NUST MISiS. The category of "Other segments" discloses the performance of the Endowment Fund.

Deferred tax assets are recognised within other segments.

Income by segments:

	Moscow	Stary Oskol	Other	Total
Segment revenue under IPSAS for 2018	6,751,099	352,247	229,144	7,332,490
Segment revenue under IPSAS for 2017	5,890,429	312,317	175,827	6,378,573

Segment surplus/deficit

	Moscow	Stary Oskol	Other	Total
Segment deficit under IPSAS for 2018	(260,997)	(62,363)	(2,220)	(325,580)
Segment deficit under IPSAS for 2017	(208,462)	(5,674)	(124)	(214,260)

Capital expenditure including proceeds from founders

	Moscow	Stary Oskol	Other	Total
Capital expenditures for the year ended 31 December 2018	639,631	29,969	17,749	687,349
Capital expenditures for the year ended 31 December 2017	595,469	196,324	2,231	794,024

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

Segment assets and liabilities

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	779,768	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

6. Segment Information (Continued)

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

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 Consolidated Statement of Cash Flows cover the following amounts from the Consolidated Statement of Financial Position:

	31 December 2018	31 December 2017
Settlement accounts	1,695,727	708,296
Current accounts in the Russian Federal Treasury	530,019	651,345
Deposits placed for less than three months	42,061	43,000
Cash on hand	901	386
Total cash and cash equivalents	2,268,708	1,403,027

At 31 December 2018 and 31 December 2017, the deposit accounts with PAO Gazprombank contained RUB 42,061 thousand and RUB 43,000 thousand, respectively. 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 and 31 December 2017 was accrued at rates ranging from 6.25% to 7.00% and from 6.7% to 6.75% per annum, respectively. Interest rate on USD-denominated deposits as at 31 December 2018 was accrued at the rate of 2%. No USD-denominated deposits were opened as at 31 December 2017.

Cash and cash equivalents are placed in the following currencies:

	31 December 2018	31 December 2017
Russian Roubles	1,827,851	1,118,396
US Dollar	397,450	265,559
Euros	22,981	19,072
Other currencies	20,426	-
Total	2,268,708	1,403,027

7. Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents analysed based on Fitch ratings at 31 December 2018 and 31 December 2017 was as follows:

	31 December 2018			31 December 2017		
	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	1,658,145	-	42,061	699,035	-	43,000
BBB- rated	-	530,019	-	-	651,345	-
Unrated	37,582	-	-	9,261	-	-
Total	1,695,727	530,019	42,061	708,296	651,345	43,000

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

8. Receivables and Prepayments

	31 December 2018	31 December 2017
Trade receivables	177,640	224,325
Other financial receivables	63,071	5,706
Provision for impairment of receivables	(57,795)	(90,701)
Total financial receivables	182,916	139,330
Advances to suppliers and contractors	6,636	52,451
Salary advances	-	993
Provision for impairment of advances issued	(136)	(1,281)
Other	27	318
Total non-financial receivables	6,527	52,481
Total receivables and prepayments	189,443	191,811

Receivables are denominated in Russian Roubles. The bulk of financial receivables represent 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 2018		31 December 2017	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
<i>Neither past due nor impaired:</i>				
- Government	20,594	1,780	1,518	3,144
- Commercial entities and individuals	138,437	22,105	132,820	1,848
Total neither past due nor impaired	159,031	23,885	134,338	4,992
<i>Individually impaired</i>				
- Over 360 days overdue	18,609	39,186	89,987	714
Total individually determined to be impaired	18,609	39,186	89,987	714
Less impairment provision	(18,609)	(39,186)	(89,987)	(714)
Total	159,031	23,885	134,338	4,992

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

	2018	2017
Carrying amount at 1 January	90,701	96,955
Increase in provision charged to income or expenses	47,495	14,077
Utilisation of provision	(75,854)	(16,932)
Release of provision	(4,547)	(3,399)
Carrying amount at 31 December	57,795	90,701

9. Investments in Shares and Bonds of Endowment Fund

The table below presents available-for-sale financial assets by types of securities:

	31 December 2018
Russian government bonds	79,173
Municipal bonds	1,196
Corporate bonds	131,230
Total bonds	211,599
Shares	821
Total financial assets available for sale	212,420

9. Investments in Shares and Bonds of Endowment Fund (Continued)

The table below presents available-for-sale financial assets by issuers' credit ratings:

	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:

	2018
Carrying amount at 1 January	112,336
Surplus less deficit at fair value	(3,289)
Accrued interest income	9,803
Received interest income	(10,067)
Purchases	173,108
Sale	(51,117)
Repayment	(31,666)
Foreign exchange differences on debt securities	12,491
Carrying amount at 31 December	211,599

According to agreements on trust management between managing companies and the Endowment Fund of NUST MISiS, securities transactions are performed by managing companies. Due to planned volumes of investments, from 1 January 2018, the University consolidates the Endowment Fund, which was previously a related party. Thus, there were no available-for-sale financial assets as at 1 January and 31 December 2017.

10. Non-current Assets to Be Returned to Founder

As at 31 December 2017, the Consolidated Statement of Financial Position reflected non-current assets to be returned to founder, in accordance with the latter's instructions. The balance sheet amount of non-current assets to be returned to founder was RUB 12,152 thousand at the reporting date, and represented the value of the residential building at Malysheva Street. At 31 December 2018, this item was written off the balance sheet, but continued to be recorded in off-balance sheet accounting.

11. Other Assets and Liabilities

Included in other assets and liabilities is cash received as security for procurement tenders (auctions) from the participants, and also as security for the performance of contracts signed as a result of competitive procurement tenders. The cash is temporarily at the University's disposal and should be refunded to the tender participants as follows: security for procurement tenders (auctions) – upon completion of the tender process, and performance security for the contracts signed – upon the fulfilment of contractual obligations. At 31 December 2018, NUST MISiS had RUB 23,407 thousand at its temporary disposal, including funding from RFBR of RUB 19,609 thousand to be distributed to grant recipients (at 31 December 2017: RUB 11,946 thousand).

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12. Property, Plant and Equipment

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

For the year ended 31 December 2018	Land plots	Residential buildings	Non-residential buildings	Plant and equipment	Production and maintenance tools	Structures	Transport vehicles	Assets under constructions	Total
Initial value									
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
Acquisitions	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

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12. Property, Plant and Equipment (Continued)

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

12. Property, Plant and Equipment (Continued)

Construction in progress. Construction in progress includes construction and reconstruction of property, plant and equipment. The large part of reconstruction and construction of property plant and equipment is financed by FTIP. In 2018, the balance of construction in progress capitalises expenses associated with construction in progress in Stary Oskol, Olminkogo Street 17. In 2018, the project statement for 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 as for construction.

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 transformation of Gubkin Branch of Moscow State University of Mechanical Engineering (MAMI) into Stary Oskol Branch of NUST MISiS in 2017, the University transferred 3 non-residential buildings with a fair value of RUB 114,653 thousand and 3 land plots with a total cadastral value of RUB 62,798 thousand.

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

13. Intangible Assets

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

For the year ended 31 December 2018	Websites	Patents	Software	Know-how	Computer software licences	Right to use educational platforms	R&D in progress	Total
Initial value								
At the beginning of the period		28,203	4,248	15,061	50,003	40,000	13,044	150,559
Acquisitions		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
Depreciation								
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 depreciation		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

13. Intangible Assets (Continued)

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

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

Intangible asset groups are represented by:

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.

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

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

Website is the website of NUST MISiS, which was under development within R&D in progress and 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.

13. Intangible Assets (Continued)

R&D in progress. As at 31 December 2018, R&D in progress mostly represents the capitalised cost of obtaining patents and international registration of patents in the amount of RUB 3,266 thousand (as at 31 December 2017: RUB 4,869 thousand). As at 31 December 2017, the cost of updating NUST MISiS website in the amount of RUB 8,174 thousand was recorded within R&D in progress and put into operation in 2018.

14. Investments

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

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

15. Significant Non-Cash Investment Transactions

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

	2018	2017
Acquisition of property, plant and equipment under FTIP	-	294,890

16. Trade and Other Payables

	31 December 2018	31 December 2017
Trade payables	87,267	74,245
Other payables	2,564	-
Total financial payables	89,831	74,245
Payroll payable	238,645	225,967
Total non-financial payables	238,645	225,967
Total accounts payable	328,476	300,212

Payables are denominated in Russian Roubles.

16. Trade and other payables (continued)

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

Salaries payable include provisions for future vacations and bonuses for Departments' performance in 2018, payable within 12 months after the reporting date, in the amount of RUB 196,311 thousand and RUB 183,912 thousand as at 31 December 2018 and 31 December 2017, respectively.

17. Taxation

	31 December 2018	31 December 2017
Property tax and land tax	29,175	17,897
Value-added tax	27,544	31,384
Personal income tax	88	16,771
Other tax settlements	95,111	77,370
Total taxation	151,918	143,422

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 50,460 thousand and RUB 46,993 thousand at 31 December 2018 and 31 December 2017, respectively.

18. Advances Received for Non-Exchange Transactions

	31 December 2018	31 December 2017
Advances received for non-exchange transactions		
Grant to support National Technological Initiative Center for Quantum Communications	179,500	-
Subsidy to purchase HVP	109,600	-
Competitiveness Enhancement Programme	44,428	195,290
Subsidies received to pay scholarships	545	1,475
Grants from the Russian Foundation for Basic Research	-	710
Other subsidies for other purposes	3,825	1,474
Total advances received from non-exchange transactions	337,898	198,949

Payables under subsidies for purchasing HVP, competitiveness enhancement programmes as well as payables under subsidies in the form of government grants received to support National Technological Initiative Center for Quantum Communications (NTI) represent advances received to implement government programmes. The subsidies are included in the income for the reporting period in the amount of approved expenses as they are incurred. Balances unused in the current year are blocked in the account of NUST MISiS and can be used over the next reporting period for the same purposes upon approval by the Ministry of Science and Higher Education or by the Fund for National Technological Initiative.

19. Advances Received for Exchange Transactions

	31 December 2018	31 December 2017
Advances received for exchange transactions		
Advances received on income from fee-based work and services	238,020	340,160
Advances received on gains generated by property	35,525	47,334
Advances received on other income	1,163	1,486
Total advances received for exchange transactions	274,708	388,980

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

20. Provisions for Liabilities and Charges

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

	2018	2017
Carrying amount at 1 January	258,000	258,000
Increase in provision	7,284	-
Carrying amount at 31 December	265,284	258,000

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

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

In 2018, SC Roscosmos filed a claim on collection of penalty interest of RUB 7,284 thousand against NUST MISiS. Management estimated the probability of the case unfavourable outcome as high and, consequently, increased the provision.

21. Balances and Transactions with the Founder

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

21. Balances and Transactions with the Founder (Continued)

	For the year ended 31 December 2018	For the year ended 31 December 2017
Initial value		
At the beginning of the period	27,234,884	26,327,407
Additions to property, plant and equipment	560,363	669,490
Reclassification from investments (Note 14)	-	241,896
Disposals	(868,097)	(4,809)
Reclassification	-	900
At the end of the period	26,927,150	27,234,884
	For the year ended 31 December 2018	For the year ended 31 December 2017
Depreciation		
At the beginning of the period	(2,971,996)	(2,459,187)
Accruals	(488,563)	(514,246)
Disposal of depreciation	162,042	1,437
At the end of the period	(3,298,517)	(2,971,996)
Balance		
At the beginning of the period	24,262,888	23,868,220
At the end of the period	23,628,633	24,262,888

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

	For the year ended 31 December 2018	For the year ended 31 December 2017
Highly valuable moveable property including:	203,909	114,974
Machinery and equipment	197,183	104,714
Assets under constructions	36	366,575
Premises	226,059	125,143
Land plots	129,160	62,798
Structures	1,199	-
Total additions to property, plant and equipment	560,363	669,490

22. Revenue from Educational Services

	2018	2017
Educational services provided as part of the public engagement.	2,294,715	1,839,430
Fee-based educational services	609,456	546,079
Total revenue from educational services	2,904,171	2,385,509

23. Revenue from Research and Development Work

	2018	2017
Research and development services	697,384	585,176
R&D work under public engagement	254,908	232,567
R&D work under Federal Special Purpose Programmes	251,933	623,347
Scientific and technical services	69,089	64,684
Grants to leading scientists	25,710	29,292
Support to young scientists	3,000	2,512
Grants to leading schools of sciences	68	1,911
Total revenue from research and development work	1,302,092	1,539,489

24. Subsidies for the Development of the University

	2018	2017
Subsidies under Competitiveness Enhancement Programme (Project 5-100)	959,640	1,005,492
Subsidies for the development of the University's property	702,194	30,050
Total subsidies for the development of the University	1,661,834	1,035,542

25. Subsidies and Donations for Scholarships

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

	2018	2017
Student scholarships	298,119	308,391
Individual scholarships	21,909	20,442
Total subsidies and donations for scholarships	320,028	328,833

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

25 Subsidies and Donations for Scholarships (Continued)

	2018	2017
Student scholarships	(332,511)	(347,026)
Social support allowances	(22,765)	(22,860)
Total scholarships and transfers	(355,276)	(369,886)

In 2018, student scholarships include scholarships under Project 5-100 in the amount of RUB 31,519 thousand (2017: RUB 40,027 thousand). Income for payment of these scholarships is included in income from non-exchange transactions under Project 5-100.

26. Grants from Research Foundations

Income from non-exchange transactions includes the following grants from research foundations.

	2018	2017
Grants from RSF	132,640	84,150
Grants to support National Technological Initiative Center for Quantum Communications	50,000	-
Grants from RFBR for research	7,500	5,955
Total grants from research foundations	190,140	90,105

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

	2018	2017
Salaries	(2,883,967)	(2,697,047)
Social security contributions accrued	(765,864)	(714,552)
Compensation under civil contracts	(142,464)	(180,595)
Other payments	(16,328)	(14,478)
Total salaries, compensation under civil contracts, including social security contributions	(3,808,623)	(3,606,672)

28. Outsourced Services

	2018	2017
Repair work	(471,381)	(315,609)
Utilities	(276,942)	(257,192)
Research and development services	(169,492)	(229,452)
Information and consulting services	(112,354)	(100,897)
Maintenance of premises	(70,903)	(42,309)
Technical maintenance of equipment and utility systems	(31,286)	(32,733)
Security, cash collection services	(25,555)	(28,378)
Software maintenance, fine-tuning and acquisition	(20,800)	(36,035)
Professional development	(15,835)	(25,034)
Telecommunications	(12,903)	(14,873)
Lease of premises	(12,582)	(6,184)
Development of design documentation	(12,238)	(44,889)
Bank fees	(8,269)	(5,136)
Insurance	(1,135)	(1,641)
Other services	(121,238)	(127,568)
Total outsourced services	(1,362,913)	(1,267,930)

Other services in 2018 and 2017 include legal protection of intellectual property, representing the University in patent authorities, organising and conducting events, marketing services associated with publications in the media about the University, etc.

29. Other Expenses

	2018	2017
Advertising expenses	(71,403)	(16,682)
Organising social functions	(52,993)	(19,295)
Business trip expenses	(49,790)	(46,253)
Membership fees	(9,427)	(7,923)
Transport and accommodation allowances to students	(9,339)	(8,962)
Other expenses	(11,981)	(22,693)
Total other expenses	(204,933)	(121,808)

30. Taxes and Duties

	2018	2017
Land tax	(86,424)	(85,306)
Property tax	(74,778)	(84,583)
State duties and charges	(8,706)	(7,794)
Pollution charge	(907)	(2,758)
Transport tax	(298)	(278)
Total taxes and levies	(171,113)	(180,719)

31. Income Tax

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

31. Income Tax (Continued)

	2018	2017
Current income tax	7,150	2,739
Deferred tax	10,197	(372)
Total income tax	17,347	2,367

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

32. Statement of Comparison of Budget and Actual Amounts

Below is the reconciliation between the actual amounts on comparative basis, as presented in the Consolidated Statement of Comparison of Budget and Actual Amounts, and actual amounts in the Consolidated Statement of Cash Flows for 2018. The consolidated financial statements have been prepared for 2018 and include all of the University's branches and the Endowment Fund. The budget has also been prepared for 2018 and includes all of the University's branches, but not includes the Endowment Fund. The reports are based on different approaches: the budget is developed using the cash method, while consolidated financial statements are prepared on accrual basis.

	Operating activities	Investing activities	Financing activity	Total
Actual amounts on comparative basis, as presented in budget and the Consolidated Statement of Comparison of Budget and Actual Amounts	1,093,750	(350,405)	-	743,345
Differences in the basis of accounting	42,920	(27,556)	-	15,364
Actual amount in the Consolidated Statement of Cash Flows less cash flow of the Endowment Fund	1,136,670	(377,961)	-	758,709
Actual amount of cash flows of the Endowment Fund	5,925	(48,885)	90,372	47,412
Actual amount in the Consolidated statement of cash flows	1,142,595	(426,846)	90,372	806,121

The differences in the basis of accounting include the total adjustment of income and expenses before net cash flows under Russian statutory accounting of RUB 15,364 thousand. This adjustment includes the return of subsidies of RUB 1,260 thousand, recognition of financial assets of RUB 49,496 thousand, disposal of RUB 42,342 thousand from budget accounts, decrease in payables under budgetary loans of RUB 2,586 thousand and other adjustments of RUB 6,884 thousand.

33. Financial Risk Management

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

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

33 Financial Risk Management (Continued)

	Note	31 December 2018	31 December 2017
Cash and cash equivalents			
Cash in bank settlement accounts	7	1,695,727	708,296
Treasury	7	530,019	651,345
Deposits placed for less than three months	7	42,061	43,000
Cash on hand	7	901	386
Receivables			
Trade receivables	8	159,031	133,624
Other financial receivables	8	23,885	5,706
Financial support for bids and contracts	11	23,407	11,946
Investments in Shares and Bonds of Endowment Fund			
Debt securities	9	211,599	-
Shares		821	-
Total financial assets		2,687,451	1,554,303
Accounts payable			
Trade payables	16	87,267	74,245
Other payables	16	2,564	-
Other liabilities	11	23,407	11,946
Total financial liabilities		113,238	86,191

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

Cash and cash equivalents represent the most significant financial assets of the University. The University's management controls the credit risk by establishing a list of banks with which the University can deposit cash and cash equivalents. The analysis of cash and cash equivalents by their credit quality is presented in Note 7.

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

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

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

Currency risk. NUST MISiS' assets and liabilities are barely exposed to currency risk. As at 31 December 2018, 83.3% of the University's financial assets and 100% of its financial liabilities are denominated in Russian roubles (31 December 2017: 81.7% and 100%, respectively). In respect of currency risk, NUST MISiS sets limits on the level of exposure by currency and in total. The positions are monitored monthly.

33 Financial Risk Management (Continued)

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. Management NUST MISiS management monitors monthly rolling forecasts of cash flows.

The maturity analysis of financial liabilities is as follows:

31 December 2018	Note	Demand and less than 1 month	From 1 to 3 months	Total
Liabilities				
Trade payables	16	87,267	-	87,267
Other financial payables	11	23,407	-	23,407
Total payables, including future principal and interest payments				
		110,674	-	110,674

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

34. 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		Purchases of goods and services	
	2018	2017	2018	2017
Associate	1,282	6,626	566	11,495
Other related parties	-	5,075	-	-
Total	1,282	11,701	566	11,495

Payables to and receivables from related parties	Receivables		Accounts payable	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Associate	120	203	1,158	502
Total	120	203	1,158	502

34 Balances and Transactions with Related Parties (Continued)

In 2018, the deficit of associates was RUB 2,285 thousand (2017: deficit of RUB 522 thousand).

Compensation to key management personnel

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

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

	2018	2017
<i>Short-term benefits:</i>		
- Incentive benefits, bonuses and increments	165,304	160,196
- Salaries	107,535	57,402
- Social insurance contributions	52,828	48,999
- Other payments	22,798	38,519
Total	348,465	305,116

35. Contingencies and Commitments, Contingent Assets

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

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 noncompliant 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 153,952 thousand (as at 31 December 2017, contractual commitment amounted to RUB 22,247 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, this land plot and the buildings on it were used as a summer base of the Reserve-Officer Training Department. It has not been used since. Currently, the University management has no plan as for the use of the land plot and the buildings. The adoption of the decision is hindered by the fact that the land plot is situated within the territory of the military base and does not have other own borders. Today, the land plot is the property of the state. The management plans to complete registration of the operational management rights and contact the founder to develop a strategy for its further use. The current cadastral value of the land plot is RUB 238,616 thousand. In case of registration of operational management rights, the value of the University's property plant and equipment will increase by the cadastral value of the land plot and by the fair value of the buildings located on it.



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