National Research Tomsk Polytechnic University

Consolidated Financial Statements and Independent Auditor's report

for the year ended 31 December 2016

Tomsk
2017

Independent Auditor's Report

To the Supervisory Board of National Research Tomsk Polytechnic University

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Research Tomsk Polytechnic University and its subsidiaries (together – the "Group") as at 31 December 2016, 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 Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of financial performance for the year then ended;
- the consolidated statement of changes in net assets/ equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 Group 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.

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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 IFRS, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's 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 Group'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 Group'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 Group 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.

AO PricewaterhouseCoopers Audit

27 November 2017

Moscow, Russian Federation

Yuri Muravlev, certified auditor (licence no. 01-000055),

AO PricewaterhouseCoopers Audit

Audited entity:
National Research Tomsk Polytechnic University

State registration certificate with certificate of inclusion in the Unified State Register of Legal Entities issued on 27 November 2002 under registration № 1027000890168 issued by Interdistrict Inspectorate of the Federal Tax Service No. 7 for the Tomsk oblast

30 Lenin Avenue, Tomsk, Tomsk oblast, Russian Federation, 634050

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

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

ORNZ 11603050547 in the register of auditors and audit organizations

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Authorised Abbreviations

TPU	Tomsk Polytechnic University;
IPSAS	International Public Sector Accounting Standards;
Minfin	The Ministry of Finance of the Russian Federation;
R&D	Research and development;
CGSO	Classification of government sector operations;
PP&E	Property, plant and equipment;
HVA	Highly valuable assets;
IA	Intangible assets;
IDP	Innovative Development Program;
RFBR	Russian Foundation for Basic Research;
RFH	Russian Foundation for Humanities;

Report of TPU's Management

Dear Sirs,

In line with international practice, TPU's management prepares financial statements that present fairly, in all material respects, the University's financial position at the end of each reporting period, as well as its financial performance and cash flows for the period then ended.

We acknowledge our responsibility for financial reporting, which allows for the sufficiently accurate presentation of TPU's financial position, in compliance with the International Public Sector Accounting Standards (IPSAS), and conformance of budgetary reports, prepared in accordance with Federal Standards for Budgetary Reporting, as well as Russian legislation and regulations. TPU's management is also responsible for measures taken within their competence for safeguarding the University's assets, as well as preventing and identifying instances of fraud and other corrupt practices.

We believe that TPU's financial statements have been prepared based on adequate accounting policies consistently applied and substantiated with reasonable assessments and estimates, along with compliance with applicable International Public Sector Accounting Standards.

We confirm that the financial statements, prepared in concordance with IPSAS, present fairly, in all material respects, the financial position of TPU, along with its financial and economic performance in the reporting period.

27 November 2017

Rector, Professor, D. Sc. in Engineering	P.S. Chubik
First Vice-Rector, D.Sc. in Geology and Mineralogy	A.K. Mazurov
Chief Accountant	E.L. Moiseenko

Consolidated Statement of Financial Position

as at the reporting dates
(in thousands of Russian roubles)

ASSETS	Note	31.12.2016	31.12.2015
Current assets			
Cash and cash equivalents	4.1	1,092,210	1,260,017
Receivables from exchange transactions	4.2	154,094	207,422
Inventories	4.3	57,095	80,192
Prepayments on exchange transactions	4.4	157,961	69,007
Other current receivables	4.5	30,761	21,827
Total current assets		**1,492,121**	**1,638,465**
Non-current assets			
Other non-current receivables		741	23,160
Investments		341	361
Property, plant and equipment	4.6	11,236,375	11,132,519
Intangible assets	4.7	66,591	53,206
Deferred tax assets	5.9	67,682	25,958
Total non-current assets		**11,371,730**	**11,235,204**
TOTAL ASSETS		**12,863,851**	**12,873,669**
LIABILITIES			
Current liabilities			
Short-term borrowings and loans	4.8	11	2
Prepayments for exchange transactions	4.9	241,050	217,460
Prepayments for non-exchange transactions	4.10	173,914	295,613
Payables for exchange transactions	4.11	96,915	40,344
Income tax	5.9	51,797	43,388
Other liabilities	4.12	186,336	227,786
Provisions	4.13	15,858	20,368
Total current liabilities		**765,881**	**844,961**
Non-current liabilities			
Long-term provisions	4.13	2,630,913	2,115,114
Deferred tax liabilities	5.9	74,842	81,414
Total non-current liabilities		**2,705,755**	**2,196,528**
NET ASSETS			
Settlements with the founder	4.6	10,961,657	10,826,763
Accumulated deficit		(1,569,442)	(994,583)
TOTAL NET ASSETS		**9,392,215**	**9,832,180**
Total liabilities and net assets		**12,863,851**	**12,873,669**

P.S. Chubik
Rector of TPU

A.K. Mazurov
First Vice Rector

E.L. Moiseenko
Chief Accountant

27 November 2017

The accompanying notes are an integral part of these IPSAS consolidated financial statements.

Consolidated Statement of Financial Performance for the year ended 31 December 2016

(in thousands of Russian roubles)

Revenue and expenses	Note	2016	2015
REVENUE			
Revenue from exchange transactions:			
Research and development	5.1	1,493,672	1,548,660
Educational services	5.2	3,252,069	3,671,896
Other services	5.3	123,195	132,308
Total revenue from exchange transactions		**4,868,936**	**5,352,864**
Revenue from non-exchange transactions:			
Government subsidies	5.4	1,060,608	1,490,325
Received grants and participation in special-purpose programs		177,426	150,437
Special-purpose budget appropriations for capital investments	5.5	81,458	184,495
Special-purpose and voluntary contributions	5.6	121,312	716,460
Total revenue from non-exchange transactions		**1,440,804**	**2,541,717**
Total revenue		**6,309,740**	**7,894,581**
EXPENSES			
Employee benefits	5.7	(3,946,734)	(4,318,923)
Materials		(268,428)	(741,534)
Depreciation and amortisation	4.6, 4.7	(636,027)	(567,195)
Scholarships and financial assistance		(496,174)	(479,986)
Third-party R&D and experimental work		(316,395)	(283,435)
Property maintenance services		(291,635)	(409,992)
Other works and services		(249,142)	(422,335)
Utilities costs		(173,354)	(158,578)
Other expenses		(62,970)	(76,146)
Net financial result from other transactions		(57,500)	(65,526)
Taxes and levies		(54,582)	(45,527)
Transportation services		(16,765)	(36,032)
Total expenses		**(6,569,706)**	**(7,605,209)**
Operating result		**(259,966)**	**289,372**
Interest income and dividends	5.8	84,545	151,478
Discount amortization expense	4.13	(182,649)	(150,127)
Actuarial gain/loss	4.13	(11,956)	(22,459)
Exchange differences		(59,711)	54,372
Surplus (deficit) before taxation		**(429,737)**	**322,636**
Income tax	5.9	(10,228)	(41,086)
Surplus (deficit) for the year		**(439,965)**	**281,550**

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First Vice Rector

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Chief Accountant

27 November 2017

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Consolidated Statement of Cash Flows for the year ended 31 December 2016

(in thousands of Russian roubles)

Cash flows	2016	2015
OPERATING ACTIVITIES		
Cash flows from exchange transactions:	**4,842,639**	**5,424,112**
Receipts		
Research and development	1,502,960	1,615,886
Educational services	3,218,350	3,672,946
Other services	121,329	135,280
Cash flows from non-exchange transactions:	**1,293,471**	**2,652,384**
Subsidies for other purposes	1,028,718	1,552,785
Received grants and participation in special-purpose programs	165,270	167,487
Special-purpose budget appropriations	50,000	760,351
Special-purpose and voluntary contributions	49,483	171,761
Other cash flows	**5,311**	**6,102**
Total receipts	**6,141,421**	**8,082,598**
Payments		
Employee benefits	(3,989,740)	(4,247,519)
Scholarships and financial assistance to students	(489,271)	(476,653)
Other third-party works and services	(318,717)	(501,407)
Property maintenance services	(288,650)	(414,549)
Suppliers	(272,391)	(662,435)
Third-party R&D work	(188,337)	(264,198)
Utilities costs	(178,913)	(151,351)
Total other expenses	(91,596)	(59,032)
Taxes	(57,018)	(69,988)
Transportation services	(11,605)	(39,719)
Total payments	**(5,886,238)**	**(6,886,842)**
Interest and dividends received	84,545	151,477
Income tax paid	(47,382)	(56,340)
Net cash flows from operating activities	**292,346**	**1,290,893**
FINANCING ACTIVITIES		
Receipts		
Loan from associated company	11	-
Net cash flows from financing activities	**11**	**-**
INVESTING ACTIVITIES		
Purchase of PP&E	(368,840)	(887,662)
Purchase of IA	(33,772)	(45,754)
Net cash flows from investing activities	**(402,612)**	**(933,416)**
Net change of cash and cash equivalents over the period	**(110,255)**	**357,477**
Effect of exchange rate changes on cash and cash equivalents	(57,552)	54,357
Cash and cash equivalents at the beginning of the year	1,260,017	848,183
Cash and cash equivalents at the end of the year	1,092,210	1,260,017

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27 November 2017

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Consolidated Statement of Changes in Net Assets (Equity) for the year ended 31 December 2016

(in thousands of Russian roubles)

Item	Accumulated surplus (deficit)	Settlements with the founder	Net assets
Balance at 31 December 2014	**(147,757)**	**9,698,387**	**9,550,630**
Surplus for the year	281,550	-	**281,550**
Changes in the composition of highly valuable assets (Note 4.6, Table 17)	(1,128,376)	1,128,376	-
Balance at 31 December 2015	**(994,583)**	**10,826,763**	**9,832,180**
Deficit for the year	(439,965)	-	**(439,965)**
Changes in the composition of highly valuable assets (Note 4.6, Table 17)	(134,894)	134,894	-
Balance at 31 December 2016	**(1,569,442)**	**10,961,657**	**9,392,215**

P.S. Chubik
Rector of TPU

A.K. Mazurov
First Vice Rector

E.L. Moiseenko
Chief Accountant

27 November 2017

The accompanying notes are an integral part of these IPSAS consolidated financial statements.

1. General Information about TPU

Tomsk Polytechnic University and its Operations

Tomsk Polytechnic University is one of the oldest universities in Russia. The University was founded in 1896 as the Tomsk Technological Institute for practical engineers and named after Russian Tsar Nicholas II. TPU is among the largest Russian technical universities and represents a research and educational complex with advanced infrastructure for research and innovation studies, as well as training of highly qualified specialists and experts.

TPU's mission is enhancing Russia's competitiveness by training an engineering elite, generating new knowledge and innovative ideas, and developing resource-efficient technologies through internationalisation and integration of research, education and practice.

TPU's core values:

- freedom and enthusiasm in broadening the knowledge base in priority fields of science for the benefit of the humanity while also complying with professional ethics;
- innovations in science and education in order to seek out excellence and professional expertise;
- independent thinking and creativity when addressing the challenges faced by the University, Russia, and the world as a whole;
- social responsibility with respect to the results of our activities;
- staff involvement in all areas of the University's activities, thereby allowing teachers, other employees and students (both present and future) to meet their full potential;
- promotion unity of alumni, students and employees based on the University's century-long traditions established throughout our history;
- a corporate culture that provides an open atmosphere and a comfortable learning environment;
- freedom of personality, which is manifested in elimination of racial, ethnic, religious, gender, political or other forms of discrimination.

Strategic goals: establishing and developing TPU as a research university and one of the world's leaders in resource-efficient technologies, which can solve global issues facing humanity on its way to sustainable development.

On 2 April 1997, Tomsk Polytechnic University was awarded the status as a "Highly Valuable Object of the Cultural Heritage of the Peoples of the Russian Federation".

Furthermore, on 2 October 2009, TPU was awarded the rank of a "National Research University".

In July 2013, TPU was among the 15 winners of a competition for a subsidy intended for entering the world university rankings under the auspices of the Programme for Promoting the Competitiveness of leading Russian universities among the world's leading research and academic institutions.

On 28 November 2013, Alexander B. Povalko, the Deputy Minister of Education and Science of the Russian Federation, approved the "Action Plan for the Implementation of National Research Tomsk Polytechnic University's Programme for Promoting the Competitiveness among the World's Leading Research and Educational Centres for the period 2013-2020".

The key goals set out in this programme for enhancing competitiveness include:

- promoting world-class science and research on resource efficiency;
- providing globally competitive engineering education;
- dissemination of best academic and engineering practices;
- ensuring close collaboration with industry and other stakeholders in the interest of innovation;
- training and engagement of distinguished students, scientists and educators;
- positioning Tomsk as a unique world-class research and educational centre;

Tomsk Polytechnic University and its Operations (continued)

- ensuring transformation into an university focusing on graduate and postgraduate education;
- providing efficient resource management;
- ensuring social accountability and responsibility at the regional, national and global levels.

Following Order No. 545 of the Ministry of Education and Science of the Russian Federation of 15 May 2014, TPU was transformed into Federal State Autonomous Educational Institution of Higher Education National Research Tomsk Polytechnic University by changing its institution type.

As part of the programme for enhancing the University's global competitiveness and transparency of financial information on TPU's operations, TPU's management has opted to prepare and present IPSAS financial statements.

TPU's Organisational Structure

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

TPU's registered address is 30 Lenin Avenue, Tomsk, Russian Federation, 634050.

TPU is managed in accordance with the laws and other regulations of the Russian Federation, along with the University's Charter, which is based on combined principles of individual and collective responsibility.

The University's governing bodies include the following:

- Supervisory Board;
- Staff and Students Conference;
- Academic Council;
- Rector;
- President;
- Board of Trustees;
- Academic Councils of Divisions;
- Students Council.

According to Paragraph 3.5 of TPU's Charter, the Supervisory Board may consist of minimum 5 and maximum 11 members. The powers of the Supervisory Board last for five years. As of 31 December 2016 and 2015 the Supervisory Board includes 11 members.

The Staff and Students Conference is a collective body of TPU. It holds the following powers:

- election of the Academic Council;
- discussion and approval of collective agreements and related amendments, as well as approval of reports on the execution of such agreements.

The Staff and Students Conference is convened when needed but must meet once at least every five years.

The Academic Council is a collective body in charge of the University's general management.

The number of the Academic Council's members is determined by the Staff and Students Conference. Eligible Academic Council's members include the Rector, President, Vice Rectors and, upon the decision of the Academic Council, Directors of institutes. Other members of this council are elected by the Staff and Students Conference by ballot. The Rector is also the chairman of the Academic Council. As of 31 December 2016 and 2015 the Academic Council includes 55 members.

The composition of the Academic Council is announced through the Rector's order based on a decision of the University's Staff and Students Conference. The powers of the Academic Council run for five years. An early re-election of a member of the Academic Council is held if requested by at least 50% of its members in writing.

TPU's Organisational Structure (Continued)

The sole executive body of TPU is the Rector, who oversees the current management of the University's activities. This position is appointed for up to five years by the Founder from a pool of potential candidates who have been attested under an established procedure. The candidates are put forward by the Supervisory Board. The Rector is personally responsible for the management of educational, scientific, administrative and economic activities, as well as TPU's compliance with the Russian law. As of 31 December 2016 and 2015 and at the financial statements sign off date, the Rector of TPU was P.S. Chubik.

TPU's organisation includes departments that provide educational and research activities, administrative departments, as well as production and social infrastructure facilities.

As of 31 December 2016 and 2015, TPU included the following institutes:

- Institute of Natural Resources;
- Institute of Power Engineering;
- Institute of High Technology Physics;
- Institute of Cybernetics;
- Institute of Non-Destructive Testing;
- Institute of Physics and Technology;
- Institute of Humanities, Social Sciences and Technologies;
- Institute of International Education and Language Communication;
- E-learning Institute;
- Institute of Strategic Partnership and Competences Development;
- Yurga Institute of Technology (with status as an "affiliate").

Affiliates and regional offices are located outside of TPU. They do not represent separate legal entities and carry out their functions based on related regulations.

Such affiliates individually perform their functions, in full or in part. As of 31 December 2016 and 2015 TPU had the following affiliate:

- TPU's Yurga Institute of Technology (affiliate). Short form: TPU's YuIT. Location: 26 Ul. Leningradskaya, Yurga, Kemerovo Region, Russian Federation, 652055.

Regional offices both represent and defend the interests of TPU, but do not independently perform educational, scientific, economic, social or other functions. As of 31 December 2016 and 2015 TPU has the following regional offices:

- Regional office located at: Office 2, 127a Ul. Ermakova, Strezhevoy, Tomsk Region, Russian Federation, 636762.

Principal Activity

TPU carries out the following core activities:

- educational activities, including the implementation of programmes of professional education, main programmes for professional education, additional professional training programmes, and general education programs;
- scientific activities, including R&D work (e.g., fundamental research work and experimental projects) and training of scientific personnel. TPU holds leading positions in terms of the scope of its extra-budgetary R&D operations and international contracts among all universities and organisations of the Russian Ministry of Education and Science.

TPU's Students

TPU delivers education and training to more than 15,000 students. Information on the number of TPU's students is presented in Table 1.

Table 1

Distribution of student population by category

Category / educational program	2016	2015	Change, number of people	Change,%
Bachelor's degree, specialist degree	11,370	15,676	(4,306)	(27)
Master's degree and postgraduate training	3,557	3,272	285	9
Exchange students	299	163	136	83
Total number of students	**15,226**	**19,111**	**(3,885)**	**(20)**

In accordance with its development programme effective since 2010, TPU prepared Standards and Instructions for Quality Assurance of the Main Educational Programs for Bachelor's and Master's Degrees and Specialists' Training in Priority Development Areas (TPU MEP Standard). As part of TPU transformation into a research university for Master's and Post-Graduate Studies, the University decreases the number of students for Bachelor and Specialist programmes while expanding admission to Master's and Post-Graduate programmes.

Key achievements:

- According to the discipline rating of 2017 for Engineering and Technologies, TPU ranked second to Lomonosov State University and first among engineering schools (in group 151 – 175);
- The demand for TPU graduates annually exceeds their actual number by at least 50%. In 2017, the university became one of the best in the world in terms of graduate employment (QS Graduate Employability Rankings 2018, group 301-500);
- Over 350 undergraduate and post-graduate students receive undergraduate or on-the-job training in foreign universities and other organisations; at least one discipline per semester at the Master's level is taught in English; six Master's courses are enrolled to be taught only in English;
- The share of foreign students enrolled to the main education programmes exceeds 25% (second in Russia after RUDN);
- The share of students of Master's and post-graduate's courses is over 35% of total student body (leader among Russian universities);
- The efficiency of post-graduate courses is ca. 35% (one of the best results in Russia, with the average of 17%).

TPU's Staff

Table 2 presents average number of TPU staff members.

Table 2

Average number of staff by category

Staff category	2016	2015	Change, number of people	Change,%
Management	18	19	(1)	(5)
Faculty	1,458	1,566	(108)	(7)
Researchers	162	101	61	60
Research engineers	1,006	373	633	170
Administrative and managerial staff	452	467	(15)	(3)
Production staff	103	139	(36)	(26)
Educational support staff	427	828	(401)	(48)
Support staff	1,393	1,866	(473)	(25)
Total average number of staff	**5,019**	**5,359**	**(340)**	**(6)**

2. TPU's Economic Environment

TPU operates in the Russian Federation. The Russian Federation still displays certain characteristics of an emerging market. Russia's economy is specifically sensible to fluctuations of oil and gas prices.

The legal, tax and regulatory frameworks of the Russian Federation are continuing to develop and subject to various interpretations. The country's current political and economic environment has significant influence over the University's development. Recent political developments, current international sanctions against some Russian companies and individuals, and the related uncertainty and volatility on financial markets may have consequences for the University. However, the effect of this is difficult to predict.

Political and economic instability, stock market uncertainty and other risks may have a negative influence on the activities of government sector organisations.

TPU's activities are monitored by the Russian Ministry of Education and Science and the Federal Agency for State Property Management. TPU's primary source of financial support includes subsidies for state programmes, subsidies for other purposes, and funds from income-generating activities.

Every year, TPU prepares a three-year plan for its financial and economic activities, whereby it sets out key performance indicators for the subsidies received for state programmes, subsidies for other purposes, budgetary investments, and income-generating activities. TPU's Supervisory Board approves plans for financial and economic activities, as well as prepares reports on their execution.

TPU's management believes that it is undertaking all necessary measures to support the University's sustainable development and its ongoing activities in the current environment.

3. Summary of Significant Accounting Policies

TPU's accounting policies have been consistently applied throughout all of the presented reporting periods. This section includes extracts from TPU's key accounting policies used for the purposes of the preparation of these IPSAS financial statements.

3.1. Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with IPSAS as developed and issued by the International Federation of Accountants.

TPU prepares statutory accounting statements in accordance with Russian law. IPSAS financial statements are based on statutory reports and include adjustments and reclassifications recorded in the statements for the purpose of fair presentation in accordance with IPSAS. When the IPSASB does not prescribe any specific standard, IFRS and IAS are applied.

The University's accompanying consolidated financial statements were prepared based on a going concern assumption, which means that TPU, including all of its individual subsidiaries, will continue its operations in the near future. Furthermore, assets can be disposed of while liabilities may be discharged appropriately.

3.2. New Standards and Accounting Interpretations

The following new standards were issued or became effective for annual periods beginning on or after 1 January 2017 or later, and had not been applied at any time before by TPU:

- IPSAS 34 "Separate Financial Statements";
- IPSAS 35 "Consolidated Financial Statements";
- IPSAS 36 "Investments in Associates and Joint Ventures";
- IPSAS 37 "Joint Arrangements";
- IPSAS 38 "Disclosure of Interests in Other Entities".

These aforementioned standards are effective for annual periods beginning on or after 1 January 2017. Unless otherwise described above, the new standards and interpretations are not expected to significantly affect TPU's consolidated financial statements.

3.3. Use of Estimates

The preparation of the consolidated financial statements under IPSAS requires TPU's management to make estimates and assumptions, which affect the reported totals for assets and liabilities as of the date of the statements. Such estimates were primarily made in regards to the useful life of non-current assets and the fair value of assets and liabilities, as well as environmental provisions, post-retirement benefit liabilities, bad debt provisions, and provisions for unused vacations. Please note that the actual results may differ from these estimates.

3.4. Functional and Presentation Currency

These financial statements are presented in Russian roubles (i.e. the presentation currency). The Russian rouble is the functional (primary) currency of TPU's operating activities

3.5. Consolidation

The University's financial statements include the financial statements of TPU and the financial statements of controlled (subsidiary) companies (see Table 3).

Table 3

TPU's Subsidiaries

Name of subsidiary	% interest held, 31.12.2016	% interest held, 31.12.2015
OOO Technological Incubator of Tomsk Polytechnic University (OOO TI TPU)	100,00	97,96
OOO Engineering center of inorganic material (OOO ECIM)	100,00	100,00
OOO Drawing-and-designing institute of Tomsk Polytechnic University (OOO DDI TPU)	100,00	34,00

TPU participates in the share capital of its subsidiaries from the moment of their incorporation. The contribution in the share capital was fully repaid at the moment of incorporation at nominal value by transferring the rights for intellectual property.

The subsidiary OOO TI TPU (OOO Technological Incubator of TPU) was created for the purpose of developing the student business ideas and establishing small innovation enterprises based on the University's R&D deliverables. OOO TI TPU received Tomsk Region real estate items for trust management at the estimated value of RUB 9,333 thousand. The trust management agreement is effective until 4 February 2019.

Subsidiary OOO ICFM (formerly known as OOO Delo-Pro) is controlled by the university, which holds a 40% share directly and 60% through OOO TI TPU.

3.5. Consolidation (Continued)

Subsidiary company OOO PKI TPU (formerly known as OOO Geofizrazvedka) is controlled by TPU that holds a 100% share. In 2016, the company performed no operating activities.

In addition to subsidiaries, TPU has investments in the share capital of associates that enable the commercialisation of the University's R&D deliverables. The subsidiary OOO TI TPU also has investments in the associates' share capital.

The investments in the capital of associates are recorded in the financial statements at cost less accumulated impairment loss. The equity method of accounting was not applied, since the investments in associates are not material and this information does not have any impact on the decisions to be made by the users of the consolidated financial statements.

3.6. Cash and Cash Equivalents

Cash and cash equivalents are cash on hand and on the business accounts in the Russian Federal Treasury, on the accounts of credit institutions, as well as short-term and liquid investments that are readily convertible (with original maturity of three months or less) to known amounts of cash and that are subject to an insignificant risk of changes in value. TPU classifies agreements to maintain minimum balances on current accounts in banks and deposit accounts for a term of three months as cash equivalents.

Monetary items denominated in foreign currencies are translated at the exchange rate of the Central Bank of Russia as of the end of the reporting period.

3.7. Statement of Cash Flows

The statement of cash flows was presented using the direct method. The cash flows generated by interest and dividends are included in the cash flows from operating activities as per IPSAS 2.

3.8. Receivables from Exchange Transactions

Receivables from exchange transactions include trade receivables for educational and other services and R&D deliverables.

The receivables are initially recognised at fair value. The transactional costs are included in the initial measurement. The short-term receivables are measured at the initial amount specified in agreements and documents (except when the effect of discounting has a significant influence on the results).

The trade receivables are presented net of the provision for doubtful debts.

At the end of each reporting period, doubtful receivables are estimated by analysing all accounts receivable balances. If the receivables are past due and no transactions were made to settle them, such receivables are deemed to be doubtful and a provision is set up for the relevant amount. If there are any signs that the doubtful receivables are uncollectible, they are written-off.

3.9. Inventories

Inventories are measured at cost upon initial recognition. Inventories are subsequently recorded in the balance sheet at the lower end of the net realisable value or cost. The cost of inventories includes all expenses for purchasing, processing and other expenses incurred for bringing the inventories to their current condition and location. Each unit of material inventories is written-off to expenses (discharged to production, for TPU maintenance, etc.) using the FIFO method.

Production expenses are incurred when manufacturing finished products. The cost of finished products includes all expenses for the purchase of materials, production costs and other expenses incurred costs for bringing the assets to their current condition.

3.9. Inventories (Continued)

R&D deliverables are accounted for at their actual cost. Their actual cost includes costs of labour and consumed inventories, as well as other direct costs and the corresponding portion of overhead costs.

3.10. Prepayments

Prepayments to suppliers and contractors represent total advance payments under concluded agreements. The amount of prepayments is measured at fair value of the transferred compensation less doubtful debt provisions. Doubtful debt provisions are established as described in paragraph 3.8.

Prepayments for assets, work or services that are expected to be received in periods exceeding 12 months are recorded within non-current assets.

At the end of each reporting period, doubtful receivables are estimated by analysing all totals for accounts receivable. If there are any signs that doubtful receivables are uncollectible, they are written-off to the financial result for the current period.

3.11. Other Receivables

Other receivables include overpaid taxes and levies, VAT recoverable from the budget on purchased tangibles, compensation of losses, other settlements with employees and employee advances. The total for other receivables is measured at fair value of the transferred compensation less doubtful debt provisions, which are established as described in paragraph 3.8.

3.12. Property, Plant and Equipment

TPU applies the following methods to measure groups of property, plant and equipment (PP&E):

- at initial recognition – at cost, including purchase price, import duties, non-recoverable taxes, direct costs for putting the asset into operable condition, estimated asset retirement costs;
- subsequently – at cost less accumulated depreciation and accumulated impairment loss.

If PP&E items were acquired as a result of non-exchange transactions, they are measured at their fair value. The PP&E items received by TPU for operational management are recorded in the calculated estimate as the asset retirement obligation included in the actual cost as a provision (estimated liability) as per IPSAS 17. TPU has not retrospectively recalculated the provision due to the complicated accrual procedure allowed under IPSAS 33. The adjustments to the provision due to changes in estimation of useful life of the item are recognised as the interest expense incurred in the current period. The adjustments to the provision due to an increase or decrease of the discount rate are set out in the book value of the PP&E item and do not affect income and expense items.

PP&E items are depreciated on a straight-line basis over their expected useful lives (see Table 4).

Table 4

Useful lives by PP&E category

Type of PP&E	Useful life
Land	Not depreciated
Real estate	15-100 years
Machinery and equipment	3-20 years
Other property, plant and equipment	1-10 years

Land has indefinite useful life and cannot be depreciated. Furthermore, construction-in-progress items cannot be depreciated as well.

3.12. Property, Plant and Equipment (Continued)

During the first year of operation, depreciation is charged proportionally to the period of use. Depreciation accrual starts from the month following the month when the asset became ready for operation.

The method of depreciation and useful lives are reviewed annually for all categories of PP&E.

Expenses for maintenance and repair of PP&E incurred during the year are recognised in profit or loss. In the case of upgrades, reconstruction or improvements, such expenses are capitalised within the individual PP&E item if such incurred expenses result in additional economic benefits.

The University's financial statements do not recognise assets of cultural heritage.

TPU also assesses assets for impairment on an annual basis. Whenever indicators of asset impairment are identified, TPU calculates the recoverable amount for such assets.

Special treatment is applied in respect of certain PP&E items that TPU can use, but can manage only through a special procedure (as per Order No. 2261 of 31 December 2010 issued by the Russian Ministry of Education and Science "On Classification of Types of Highly Valuable Movable Assets"):

- land plots;
- real estate;
- movable assets with an initial cost in excess of RUB 500,000;
- movable assets that are necessary for safe maintenance and operation of nuclear, radiation, chemical and/or biological hazardous facilities, as well as for maintenance, protection of life and health of students and staff, students, including organisation of catering and medical services, the absence of which will lead to the termination of activities of autonomous and budgetary institutions, and the replacement of which is impossible due to their uniqueness and/or absence of sufficient funds at the disposal of autonomous and budgetary institutions for the purchase of such assets regardless of their value;
- movable assets that are necessary for the activities stated by the charter of autonomous or budgetary institutions, the absence of which will lead to the termination of activities of the said institutions, and the replacement of which is impossible due to their uniqueness and/or absence of sufficient funds at the disposal of autonomous and budgetary institutions for the purchase of such assets regardless of their value.

In addition to the above list, TPU has no right to manage at its convenience the items of construction in progress that were purchased using budget investments. Management through a special procedure means that any transactions with these PP&E items (transfer to another individual, write-off, etc.) should be approved by the Ministry of Education and Science of the Russian Federation.

3.13. Intangible Assets

At their initial recognition, intangible assets of all classes are recorded at cost. If intangible assets were purchased as a result of non–exchange transactions, they are measured at fair value as of the date of their acquisition. Subsequently, intangible assets are carried at cost less accumulated depreciation and accumulated impairment loss.

TPU determines if an asset has a definite or indefinite useful life. In the first case, TPU determines the term or the number of production units or similar units that define this term. Furthermore, the University considers an intangible asset to have an indefinite useful life if the analysis of all corresponding factors indicates the absence of a foreseeable limit of the period, during which the assets are expected to generate net cash inflows for the entity. Useful life depends on the type of intangible assets: for licenses and patents, it is determined as the period for which they are granted or purchased; for software, it is based on the period of the asset's expected use (in most cases this period is estimated to be five years) or non-physical ageing as a result of modification or improvement of similar software.

3.13. Intangible Assets (Continued)

Intangible assets with a definite useful life are amortised using the straight-line method. Intangible assets with an indefinite useful life are not amortised. Instead, they are subject to testing for impairment on an annual basis.

3.14. Non-current Receivables

The University records prepayments for acquisition of PP&E and capital construction, as well as the non-current portion of loans issued to employees within non-current receivables.

Receivables related to loans issued to employees are classified as non-current receivables if the remaining period to their repayment exceeds 12 months as of the reporting date. The remaining portion of the receivables is considered to be current receivables and recorded within other receivables.

Prepayments for acquisition of PP&E (including capital construction items) and intangible assets are represented by prepayments to suppliers for future work and services related to the creation of PP&E items and intangible assets. The prepayments are recognised at the fair value of the consideration given.

The non-current receivables are recorded net of doubtful debt provision, which is estimated in accordance with the procedure described in paragraph 3.8.

3.15. Borrowings

Debt with a repayment period of more than 12 months is classified as a long-term liability. Debt with the repayment period of less than 12 months after the reporting date is classified as a short-term liability.

Borrowings are measured at amortised cost using the effective interest rate method.

3.16. Prepayments Received

Prepayments received include total prepayments received through exchange and non-exchange transactions. Prepayments received are measured at the fair value of received consideration.

3.17. Trade Payables

Trade payables include amounts owed to suppliers and contractors. Upon their initial recognition, payables are stated at fair value. Thereafter, they are stated at amortised cost.

3.18. Other Liabilities

Other liabilities include taxes payable, liabilities for compensation of expenses incurred by employees, funds in transit and payroll liabilities (including compensation for unused vacations).

The total provision for forthcoming payments of unused employee vacations at the end of the reporting year is determined with the reference to the number of unused vacation days of each employee as of the reporting date and the employee's average annual salary, inclusive of insurance contributions.

3.19. Provisions

Provisions are recognised in financial statements if all of the following conditions are met:

- TPU has existing liabilities (legal or imputed) as a result of past events;
- it is probable that outflow of resources embodying future economic benefits will be required to settle this liability;
- the liability's amount can be measured reliably.

TPU estimates the required probability to be more than 50%. If the above conditions are not met, the estimated liability shall not be recognised, as it is deemed contingent.

TPU forms the following provisions:

- provisions for remediation of the environment and decommissioning of a nuclear reactor (the estimation was performed by comparing the expenses for liquidation of similar nuclear facilities; the discount rate corresponds to the yield for risk-free investments on the market of government short-term bonds and public bonds);
- provisions for litigation (based on management's assessment of total possible cash outflow required for the settlement of claims).

Provisions are reviewed as of each reporting date and adjusted in order to reflect the current best estimate. The provision is released if it is no longer probable that outflow of resources embodying economic benefits will be required to settle the liability.

3.20. Income Tax

Expenses for current income tax are reflected in TPU's financial statements in accordance with the requirements of Russian law and estimated based on taxable income over the reporting period based on the income tax rates that were effective in the corresponding period.

Expenses for deferred income tax are recorded in the University's financial statements according to IAS 12 "Income Taxes".

Deferred income tax is calculated using the balance sheet liability method, which is based on the concept of temporary differences. The temporary differences are formed through the recording of PP&E, intangible assets, receivables and payables, and provisions, and also arise owing to other accounting principles as per effective tax legislation.

Assets and liabilities for deferred income tax are calculated based on tax rates that are expected in the period, when such assets are to be realised or liabilities will be discharged. This estimation is based on regulations effective as of the date when financial statements are prepared. Deferred tax assets are recorded only when it is reasonably probable that sufficient taxable income will be available in the future, against which temporary differences that reduce the tax base can be utilised.

3.21. Value-Added Tax

The tax authorities accept payment of value added tax (VAT) for sales and purchases on a net basis.

TPU reserves its right for tax exemption for certain transactions, which is provided by tax legislation. Total incoming VAT imposed on the purchase of goods (work, services) relating to non-taxable transactions is not deducted and is included in the cost of purchased goods (work, services).

In the cases described in tax legislation, TPU applies a zero-percent rate for the export of goods and provision of certain work and services with respect to exported goods. Total incoming VAT related to such operations is deductible for tax purposes.

If there are provisions for the impairment of receivables, the report must include a reduction of losses in the total receivables, including VAT. VAT on advances received is recorded as a deduction from payables for corresponding prepayments.

3.21. Value-Added Tax (Continued)

Total incoming VAT on purchased goods (work, services) is claimed for deduction as corresponding goods (work, services) are recognised for accounting purposes. Other obligatory conditions for VAT deduction, as described in current tax legislation, are complied with.

3.22. Revenue Recognition

TPU's main types of revenue are as follows:

Revenue from exchange transactions

1) Rendering services through the execution of state programmes

Rendering services under state programmes is paid out from the federal budget in the form of subsidies. State programmes include rendering of educational services and implementation of R&D. Revenue is recognised at fair value of consideration received.

TPU carries expenses out of subsidy under approved state programmes as per approved budget costs. The subsidies are appropriated in accordance with approved state programmes for the next financial year and should be recognised as income in proportion to the execution of government directives. Concurrently, incurred expenses are recognised as expenses for the current period.

In terms of economical substance, this subsidy is classified as an exchange transaction (please refer to item 3.29, "Critical accounting estimations and judgements in applying accounting policies").

2) Revenue from paid educational services and execution of R&D work

Revenue recognised using the accrual method in the period when the corresponding income was received with due consideration of the extent that the rendered services have been completed. The extent of completion is defined as follows:

- by income from educational services as a portion of practically rendered services in the total amount of services under agreement (proportionally to the number of hours);
- by income from R&D work as a portion of practically incurred expenses in the total amount of expected expenses for the agreement's implementation.

Revenue from non-exchange transactions

3) Subsidies for other purposes

Subsidies for other purposes are allocated from federal budget resources on a voluntary basis for the purposes defined by the subsidy agreement. Subsidies for other purposes are recognised at fair value (i.e. the total discharged liabilities as recognised by TPU).

Subsidies for other purposes are included as part of liabilities within "Prepayments for Non-exchange Transactions". They are classified as a financial result in the reporting period in the amount and at the moment of discharged liabilities as recognised by TPU.

Balances unused in the current financial year are blocked on TPU's account and can be used over the next reporting period for the same purposes upon the approval by the Russian Ministry of Education and Science.

4) Budget appropriations for capital construction

Budget appropriations for capital construction are provided to TPU based on executed agreements, which also envisage using the University's own funds for the financing of capital construction. Subsidies for capital construction are recognised at fair value (i.e. the amount of funds received or expected to be received in the reporting period).

Funds of this subsidy are recognised within income in line with growth in value of capital construction performed at the expense of the subsidy funds.

3.22. Revenue Recognition (Continued)

5) Grants

Grants are a form of funding for TPU activities, foreseeing the allocation of cash, estate, and services in kind for performing certain types of work or rendering certain services. Herewith, the provision of grants is execution of identified assignments. Grants are recognised at fair value at the moment of their receipt as assets and liabilities. As TPU fulfils its existing liabilities under the terms of grants, revenue to be recognised is equal to the amount for the reduction of previously recognised liabilities. Grants are provided by state organisations or funds.

6) Donations

Revenue from donations is considered as revenue from voluntary contribution of assets, including cash and other monetary assets, goods and services in kind, which are received by TPU without any conditions stipulating the use of such assets from the corporate entity. Revenue is estimated at the fair value of received property and recognised as income at the moment of transfer of all risks and rewards related to the ownership of such assets. If the donation agreement contains the relevant terms, revenue shall be recognised as total liabilities decreases. Terms in donation agreements are more common than the purpose for grants.

3.23. Expense Recognition

Expenses are recognised using the accrual method in the reporting period when they were incurred (regardless of the existence of cash flows).

In the statement of financial results, information on incurred expenses shall be presented using classifications of government sector operations (CGSO). CGSO is represented by grouped operations executed in the public sector based on their economic substance and approved through Order No. 65n of the Ministry of Finance of the Russian Federation of 1 July 2013 "Instructive Regulations on the Procedure for the Application of the Budget Classification of the Russian Federation".

3.24. Employee Benefits

Under collective agreements, TPU provides social support to non-working pensioners in the form of compensations for pharmaceuticals, medical treatment, etc. Liabilities on reimbursements to TPU's non-working pensioners are liable and estimated based on expected payments as per collective agreements. Actuarial gains and losses on long-term liabilities are fully accounted for in the statement of financial performance.

3.25. Settlements with the Founder

Settlements with the founder within net assets represent the owner's contribution, i.e. future economic benefits received from the founder that do not lead to the institution's liabilities. Settlements with the founder are represented by highly valuable property ("HVP") and land plots in unlimited use for real estate under operational management. Settlements with the founder are recognised when HVP and land plots transferred to the University for unlimited use are transferred to the University.

3.26. Foreign Currency Transactions

Russian rouble is the functional currency of TPU. When making transactions in foreign currency, it shall be converted into Russian rouble at the exchange rate at the date of the transaction. Foreign exchange gains and losses are included into the statement of financial results on a net basis.

3.27. Segment Reporting

TPU performs its activities within a single geographic segment of the Russian Federation, assesses the results of its activities and makes its strategic and investment decisions based on the analysis of its activities as a whole.

The policy of the Russian Federation Government provides for integration of education and research activities. TPU's structure provides for differentiation of institutions based on areas of knowledge where research activities and educational services are combined. TPU's management and the founder assess efficiency of TPU's activities and make decisions in respect of future allocation of economic resources based on performance ratios calculated for educational services and research activities. Therefore, research and educational activities serve as an operating segment. No other operating segments are differentiated by TPU's management.

3.28. Related Parties

TPU recognizes as a related party any individual or legal entity, which has the ability to control TPU, individually or jointly, or exercise significant influence over TPU, or vice versa. TPU recognizes the following related parties:

- key management personnel of TPU;
- the Ministry of Education and Science of the Russian Federation;
- the government of the Russian Federation and all organizations established or controlled by the government of the Russian Federation.

3.29. Critical Estimates and Judgements in Applying Accounting Policies

TPU's management's estimates and assumptions that affected figures disclosed in these IPSAS financial statements may affect book values of assets and liabilities in subsequent periods. These estimates and assumptions are reviewed by TPU's management for reasonableness and compliance with current economic environment at least on an annual basis.

TPU's management also made certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Professional judgements and estimates, which have the strongest impact on the figures of the consolidated financial statements and may result in significant adjustments of assets and liabilities in subsequent periods, include the following:

1) Recognition of subsidies to execute state programmes within revenue from exchange transactions

The notion of exchange and non-exchange transactions is provided in IPSAS 9 (item 11). Under IPSAS 9.11, the difference between exchange and non-exchange transactions is that, in a non-exchange transactions, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

TPU's management believes that the government's existing obligations to ensure free higher education includes the appointment of a jurisdictional institution represented by TPU that shall carry out the relevant state programme. Therefore, since subsidies to perform state programmes are provided to TPU for compensation of expenses related to the execution of state programmes and the provision of free higher education which is a government's obligation, it should be treated as an exchange transaction.

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

2) Fair value of land plots in permanent (unlimited) use

Under TPU's accounting policies, land plots are recognised in financial statements at deemed cost less impairment loss. Deemed cost is the cadastral value of land plots defined under Russian law based on the average market value of the land plots and real estate assets located on them. TPU's management believes that cadastral value is the most reliable available value in terms of its equivalence to fair value. Thus, it can be used as deemed cost, since cadastral valuation of land is performed in Russia on a regular basis and approximates market value per square metre of land plot with a specific type of permitted use.

3) Going concern

The consolidated financial statements have been prepared based on the going concern principle with regards to TPU. In making this judgement, management considered TPU's financial position, current plans and expected budget financing.

4) Recognition of the founder's contribution when certain groups of premises and equipment are recorded

Additions of PP&E, as a result of the transfer of highly valuable property free of charge and transfer of land plots for unlimited use, qualify as the owner's contribution, since such transactions do not give rise to financial liabilities at initial recognition.

Capital investments recorded as a result of acquisition and construction financed by the founder are recognised within the University's assets when an acceptance certificate is signed, or when a completion certificate is signed, respectively. When construction is completed and the University obtains a registration certificate for its right to operational management, the accumulated deficit is reclassified as the founder's contribution.

5) Long-term liabilities on the decommissioning of TPU's nuclear assets and environmental remediation

Liabilities on the decommissioning of nuclear assets are estimated on an expert basis through benchmarking with liquidation costs for similar assets. For a more precise estimate of liquidation costs for nuclear assets, it is necessary to make necessary expert examinations and draft a liquidation project for such asset.

The total provision for decommissioning is included in the cost of PP&E. Movements in the provisions due to changes in the discount rate are represented by the adjustment of book values of assets and other grounds for its estimates and assumptions.

6) Obligations to make payments to pensioners under the collective agreement

The obligation to make payments to TPU's past employees under the collective agreement includes additional pension payments, financial support for purchase of pharmaceuticals and other. The provision for these payments is estimated by TPU's management in accordance with IPSAS 25 "Employee Benefits". When the amount of liability was calculated, it was decided not to use the inflation rate, since no indexation was performed for payments previously and no indexation is planned.

Actuarial gains or losses are recognised in full in the statement of financial results within actuarial gains/loss.

3.30. Changes in the format of presentation of data in the financial statements for the year ended 31 December 2016

In 2016, in order to improve the clarity and transparency of information in the financial statements, the personnel disclosure was amended, which caused adjustments to comparative figures in the statement of financial performance and cash flow statement: compensations for expenses incurred by advance holders were included in the employee benefits. Adjusted results are shown below (see Tables 5, 6).

Table 5

The Effect of changes in the format of presentation of the Consolidated Statement of Financial Perfomance for the year ended 31 December 2015

(in thousands of Russian roubles)

Item details	2015	Reclassification	Comparative data
Employee benefits	(4,180,732)	(138,191)	(4,318,923)
Other works and services	(481,523)	59,188	(422,335)
Property maintenance services	(409,993)	1	(409,992)
Utilities costs	(158,579)	1	(158,578)
Transportation services	(115,024)	78,992	(36,032)
Other expenses	(76,155)	9	(76,146)

Table 6

The Effect of changes in the format of presentation of the Consolidated Statement of Cash Flows for the year ended 31 December 2015

(in thousands of Russian roubles)

Item details	2015	Reclassification	Comparative data
Employee benefits	(4,109,043)	(138,476)	(4,247,519)
Other works and services	(560,276)	58,869	(501,407)
Property maintenance services	(414,550)	1	(414,549)
Transportation services	(119,316)	79,597	(39,719)
Other expenses	(59,032)	9	(59,023)

4. Disclosure of Line Items of the Statement of Financial Position

4.1. Cash and Cash Equivalents

Table 7

Disclosure of "Cash and cash equivalents" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Cash on rouble accounts with banks, including:	**523,952**	**368,189**
unused subsidy for state programme execution	-	-
cash generated by entrepreneurship	523,952	368,189
Cash on business account with the Russian Federal Treasury, including:	**273,253**	**685,085**
unused subsidy for other purposes;	147,705	179,575
unused subsidy for state programme execution;	73,227	259,503
cash generated by entrepreneurship	33,737	185,011
unused subsidy for construction;	12,433	43,892
cash in temporary use;	6,151	17,104
Foreign currency cash on accounts with a credit institution, including:	**294,822**	**206,743**
cash generated by entrepreneurship	294,822	206,743
Cash on hand, including:	**183**	-
cash generated by entrepreneurship	183	-
Total cash and cash equivalents	**1,092,210**	**1 260,017**

Unused subsidies may be utilised by TPU for the intended purpose only.

Cash on settlement accounts with banks represent cash balances on settlement accounts with commercial banks. The Resolution of the Supervisory Board (Minutes No.1 of 30 July 2014) approved three banks (Sberbank, Gazprombank, VTB Bank) where TPU may deposit its cash received from the non-commercial activity. The University signed an agreement with VTB Bank on a minimum balance of cash at the bank account, on which interest is accrued. At 31 December 2015, the amount of minimum balance in VTB Bank was RUB 200 million for the period from 20 November 2015 to 18 January 2016; the interest rate is 10.91% p.a., in Gazprombank 150 million for the period from 28 December 2015 to 18 February 2016; the interest rate is 11% p.a. At 31 December 2016, the amount of minimum balance in Gazprombank was RUB 200 million for the period from 22 September 2016 to 18 January 2017 and RUB 263 million for the period from 29.12.2016 to 06 February 2017, the interest rate is 9,2% p.a.

Except the aforementioned banks cash of the university and branch organisations, received from the commercial activity, is held in PAO Sberbank, PAO Uralsib, PAO Tomskpromstroybank, PAO Rosbank.

Cash in temporary use is represented by funds with no right of use, received by TPU as earnest money deposits for holding a tender. Such funds are placed with the Russian Federal Treasury. Cash is neither past due not impaired in the reporting period.

Cash in foreign currency was EUR 1,875,426 and USD 2,887,532 at 31 December 2016, and EUR 1,280,918 and USD 1,435,977 at 31 December 2015.

4.2. Receivables from Exchange Transactions

Table 8

Disclosure of "Receivables from Exchange Transactions" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Receivables under R&D work agreements	118,034	166,059
Receivables for educational services	28,373	37,161
Receivables for other services	7,687	4,202
Total trade receivables (less provision)	**154,094**	**207,422**

Receivables for other services include receivables from tenants under operating lease agreements, receivables for accommodation, etc.

Changes in provision for doubtful accounts are disclosed in Table 9:

Table 9

Disclosure of provision for doubtful accounts in "Receivables from Exchange Transactions" line item

(in thousands of Russian roubles)

Item details	31 December 2016	Decrease (increase)	31 December 2015
Provision for receivables under R&D work agreements	(65,466)	(18,101)	(47,365)
Provision for receivables for educational services	(17,594)	445	(18,039)
Provision for receivables for other services	(923)	472	(1,395)
Total provision	**(83,983)**	**(17,184)**	**(66,799)**

4.3. Inventories

At the reporting date, there were no restrictions on the right of ownership of inventory; there were no pledged inventories.

Table 10

Disclosure of "Inventories" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Inventories of raw materials and supplies	30,208	43,240
Work-in-progress	19,593	29,099
Other	7,294	7,853
Total inventories	**57,095**	**80,192**

4.4. Prepayments for Exchange Transactions

Prepayments are recorded net of doubtful debt provision at each reporting date.

Table 11

Disclosure of "Prepayments for Exchange Transactions" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Other work and services	69,329	44,310
Raw materials and supplies	80,762	17,484
Public utility services	4,303	2,090
Other expenses	2,730	713
Telecommunication services	540	493
Transportation services	229	3,074
Property maintenance services	68	843
Total prepayments (less provision)	**157,961**	**69,007**

Changes in provision for doubtful accounts are disclosed in Table 12:

Table 12

Disclosure of provision for doubtful accounts in "Prepayments for Exchange Transactions" line item

(in thousands of Russian roubles)

Item details	31 December 2016	Decrease (increase)	31 December 2015
Provision for prepayments for other works and services	(1,000)	20,659	(21,659)
Provision for prepayments for raw materials and supplies	(745)	908	(1,653)
Provision for prepayments for other expenses	(2)	93	(95)
Provision for prepayments for transportation services	-	2	(2)
Total provision	**(1,747)**	**21,662**	**(23,409)**

4.5. Other Current Receivables

Table 13

Disclosure of "Other Current Receivables" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Receivables from individuals	13,584	3,635
Cash in temporary use*	6,389	7,129
VAT refundable from the budget on purchased tangibles	5,630	6,780
Overpaid taxes and dues	5,158	4,283
Total other receivables (less provision)	**30,761**	**21,827**

* Cash in temporary use represents cash paid to electronic trading floors and transferred to counterparties to secure orders and contracts arising from procurement procedures.

Changes in provision for doubtful accounts are disclosed in Table 14:

Table 14

Disclosure of provision for doubtful accounts in "Other Current Receivables" line item

(in thousands of Russian roubles)

Item details	31 December 2016	Decrease (increase)	31 December 2015
Provision for receivables from individuals	(11,150)	(100)	(11,050)
Total provision	**(11,150)**	**(100)**	**(11,050)**

4.6. Property, Plant and Equipment

TPU holds real estate assets and land plots based on the right for operational management. Unlike the ownership right, this right provides for certain restrictions related to property alienation.

At the reporting date, there were no pledged PP&E assets.

During the reporting period, the analysis of estimated useful lives and liquidation costs of PP&E assets was performed. TPU believes that the existing PP&E assets will have no residual value, since they are to be used throughout their useful life.

Table 15 discloses the PP&E item of TPU's statement of financial position. PP&E assets include construction in progress (see Table 16).

4.6. Property, Plant and Equipment (Continued)

Table 15

Disclosure of "Property, Plant and Equipment" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item	Land plots	Real estate	Movable highly valuable assets	Other property, plant and equipment	Capital investments in progress	Total
at 31 December 2015						
Initial cost	3,690,277	6,508,254	3,199,634	989,999	343,936	14,732,100
Accumulated depreciation	-	(1,094,506)	(1,816,144)	(688,931)	-	(3,599,581)
Net Book value	**3,690,277**	**5,413,748**	**1,383,490**	**301,068**	**343,936**	**11,132,519**
Depreciation charge for the period	**-**	**(163,372)**	**(351,579)**	**(101,556)**	**-**	**(616,507)**
Recalculation of liability on nuclear facility decommissioning	**-**	**327,791**	**-**	**-**	**-**	**327,791**
Purchased in the period, including:	**4,952**	**50,240**	**165,786**	**70,672**	**105,435**	**397,085**
Voluntary	4,952	-	3,530	918	-	9,400
paid	-	50,240	162,256	69,754	105,435	387,685
Transferred for commissioning	**-**	**249,641**	**19,500**	**1,558**	**(270,699)**	**-**
Disposed over the period:						
Initial cost	-	4,021	-	20,361	-	24,382
Accumulated depreciation	-	(183)	-	(19,686)	-	(19,869)
Net Book value	**-**	**3,838**	**-**	**675**	**-**	**4,513**
at 31 December 2016						
Initial cost	3,695,229	7,131,905	3,384,920	1,041,868	178,672	15,432,594
Accumulated depreciation	-	(1,257,695)	(2,167,723)	(770,801)	-	(4,196,219)
Net Book value	**3,695,229**	**5,874,210**	**1,217,197**	**271,067**	**178,672**	**11,236,375**

4.6. Property, Plant and Equipment (Continued)

Table 16

Construction in progress

(in thousands of Russian roubles)

Line item	31 December 2016	31 December 2015
PP&E assets not ready for operation	178,672	94,295
Swimming Pool (5 Savinykh Street, Tomsk)	-	180,833
TPU Business Incubator (2 Lenina Avenue, Tomsk)	-	68,808
Total	**178,672**	**343,936**

Table 17

Values of PP&E assets managed by TPU under special procedure

(in thousands of Russian roubles)

Item	Land plots	Real estate	Movable highly valuable assets	Construction in progress	Total
at 31 December 2015					
Initial cost	3,690,277	6,508,254	3,199,634	339,248	13,737,413
Accumulated depreciation	-	(1,094,506)	(1,816,144)	-	(2,910,650)
Book value	**3,690,277**	**5,413,748**	**1,383,490**	**339,248**	**10,826,763**
Changes to the depreciation	-	(163,189)	(351,579)	-	(514,768)
Changes in the liability on nuclear facility decommissioning	-	327,791	-	-	327,791
Changes to the composition of assets	4,952	295,860	185,286	(164 227)	321,871
at 31 December 2016					
Initial cost	3,695,229	7,131,905	3,384,920	175 021	14,387,075
Accumulated depreciation	-	(1,257,695)	(2,167,723)	-	(3,425,418)
Book value	**3,695,229**	**5,874,210**	**1,217,197**	**175 021**	**10,961,657**

The book value of real estate and highly valuable movable assets within net assets is included in the item line "Settlements with the Founder".

4.7. Intangible Assets

Table 18

Disclosure of "Intangible Assets" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item	Exclusive rights for intellectual products	Non-exclusive rights for software products	Developments in progress	Total
at 31 December 2015				
Initial cost	4,571	64,817	6,788	76,176
Accumulated amortisation	(1,168)	(21,802)	-	(22,970)
Net Book value	**3,403**	**43,015**	**6,788**	**53,206**
Amortisation	**(949)**	**(18,571)**	**-**	**(19,520)**
Additions	**277**	**32,945**	**552**	**33,774**
Put into use	**-**	**6,788**	**(6,788)**	**-**
Disposals				
Initial cost	53	20,048	-	20,101
Accumulated amortisation	(8)	(19,224)	-	(19,232)
Net Book value	**45**	**824**	**-**	**869**
at 31 December 2016				
Initial cost	4,795	84,502	552	89,849
Accumulated amortisation	(2,109)	(21,149)	-	(23,258)
Net Book value	**2,686**	**63,353**	**552**	**66,591**

Developments in progress at 31 December 2015 and 31 December 2016 include development, resulting in creation of exclusive or non-exclusive rights.

4.8. Short-term Borrowings and Loans

Table 19

Disclosure of "Short-term Borrowings ans Loans" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Loans from associated companies	11	-
Current part of long-term liabilities for budgetary loan for housing of young resesrchers	-	2
Total	**241,050**	**217,460**

No collateral was provided to secure the loans received.

4.9. Prepayments for Exchange Transactions

Table 20

Disclosure of "Prepayments for Exchange Transactions" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Received prepayments for educational services	125,139	90,099
Received prepayments for R&D work	106,740	118,544
Received prepayments for other services	9,171	8,817
Total	**241,050**	**217,460**

4.10. Prepayments for Non-exchange Transactions

Table 21

Disclosure of "Prepayments for Non-exchange Transactions" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Unused subsidies for other purposes	147,705	179,576
Unused funds for specific purposes	13,751	72,101
Unused subsidy for construction	12,433	43,892
Unused subsidy for maintenance of the engineering technological business incubator	25	44
Total	**173,914**	**295,613**

4.11. Payables for Exchange Transactions

Table 22

Disclosure of "Payables for Exchange Transactions" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Payables to providers of other works and services	87,480	23,167
Payables to PP&E suppliers	5,040	8,613
Payables to providers of property maintenance services	2,224	326
Payables to inventories suppliers	1,332	7,202
Payables for telecommunication services	815	996
Payables to the operating lease lessor	24	40
Total	**96,915**	**40,344**

4.12. Other Liabilities

Table 23

Disclosure of "Other liabilities" line item in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Payables for unused vacations	151,226	184,149
Mandatory payments to the budget	28,575	25,467
Unused funds for temporary use	6,151	17,104
Payables to employees	384	532
Payables to accountable persons	-	534
Total	**186,336**	**227,786**

4.13. Long-term and Short-term Provisions

Table 24

Disclosure of "Long-term Provisions" and "Short-term Provisions" line items in the Statement of Financial Position

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Long-term provisions		
Long-term liabilities on decommissioning of nuclear facilities of the University and environment remediation	2,559,977	2,056,178
Long-term liabilities on social support to non-working pensioners	70,454	58,198
Long-term liabilities on payments to veterans and participants of the Great Patriotic War	482	738
Total long-term provisions	**2,630,913**	**2,115,114**
Short-term provisions		
Provision for litigation	8,942	7,637
Provision for tax penalties	-	6,795
Current part of long-term liabilities on social support to non-working pensioners	6,031	5,575
Current part of long-term liabilities on payments to veterans and participants of the Great Patriotic War	252	361
Provision for expected losses under R&D contracts	633	-
Total short-term provisions	**15,858**	**20,368**
Total provisions	**2,646,771**	**2,135,482**

Provision for litigation recognized on expected probable cash outflow required for settlement of the claims. The major part of provision represents claim of OAO "NPO" Promavtomatika" in the case number A67- 8961 / 2015 (legal recovery for the work performed, TPU contests execution of these works) in the amount of RUB 7,612,000.

Evaluation of the provision is the expected amount of TPU's payments to resolve all liabilities to third parties.

Liabilities on payments to veterans and participants in the Great Patriotic War are charged in respect of 7 individuals (current and former TPU employees), who receive payments according to a collective agreement with TPU in the amount of to RUB 3,000 per month. Liabilities are formed on the assumption that these payments will be made until the individual reaches the age of 95. As of 31 December 2016, this provision had been recalculated due to an increase in the discount rate.

The provision for payment to pensioners under the collective agreement is measured by TPU's management under IPSAS 25 based on actual expenses incurred in 2016 with respect to these payments. The discount rate selected by management for 2016 is in line with a risk-free rate of 8.56% and represents a yield on federal loan bonds with similar maturities. When the liability was calculated, a decision was made to exclude the inflation rate, since no indexation for these payments was provided either previously or at the present time.

As of 31 December 2015, the provision for payment to pensioners was measured using the same approach on TPU's actual expenses incurred in 2015 and a risk-free rate of 9.58%.

Changes in pension liabilities and disbursements to the veterans of the Great Patriotic War are disclosed in Table 25.

4.13. Long-term and Short-term Provisions (Continued)

Table 25

Disclosure of changes in pension liabilities

(in thousands of Russian roubles)

	2016	2015
Liability at the beginning of the year	**64,872**	**42,877**
Interest accrued	6,641	5,414
Payments	(6,250)	(5,878)
Actuarial gain/loss	11,956	22,459
Liability at the end of the year	**77,219**	**64,872**

To estimate the effect of changes in the discount rate on the calculation of pension liabilities as of 31 December 2016, a sensitivity analysis has been performed (see Table 26).

Table 26

Sensitivity analysis for pension liabilities

(in thousands of Russian roubles)

	An increase in discount rate by 1%	A decrease in discount rate by 1%
Liability on payment to pensioners at 31 December 2016	69,833	86,556
Liability on payment to pensioners at 31 December 2015	58,272	70,555

The provision on decomissioning was calculated based on the following assumptions:

- the authorised useful life of the nuclear facility expires in 2034;
- the period for the nuclear facility's decommissioning will approximately come to five years;
- the estimated expenses for the liquidation of the facility, as of 31 December 2013, is RUB 4.5 billion.

The discount rate used in 2016 equals the risk-free rate of 8.56 % and represents the yield on federal loan bonds with similar maturities. The inflation rate is used within a range from 3% to 16%. As of 31 December 2015, the provision was measured based on a risk-free rate of 9.58% and inflation rate within a range from 3% to 16%.

Changes in the liability on nuclear facility's decommissioning are disclosed in Table 27. The sensitivity of this liability to changes in discount rate is disclosed in Table 28.

Table 27

Disclosure of changes in decommissioning liability

(in thousands of Russian roubles)

	2016	2015
Liability at the beginning of the year	**2,056,178**	**1,096,313**
Interest accrued	176,008	144,713
Changes in the discount rate attributed to the asset value	327,791	815,152
Liability at the end of the year	**2,559,977**	**2,056,178**

Table 28

Sensitivity analysis for decommissioning liability

(in thousands of Russian roubles)

	An increase in discount rate by 1%	A decrease in discount rate by 1%
Decommissioning liability at 31 December 2016	2,137,097	3,072,111
Decommissioning liability at 31 December 2015	1,704,644	2,484,819
	An increase in inflation rate by 1%	**A decrease in inflation rate by 1%**
Decommissioning liability at 31 December 2016	3,176,490	2,059,181
Decommissioning liability at 31 December 2015	2,548,752	1,665,660

4.14. Financial Instruments – Financial Risk Management

Table 29

TPU financial instruments

(in thousands of Russian roubles)

Financial assets	31 December 2016	31 December 2015
Cash and cash equivalents	1,092,210	1,260,017
Receivables from exchange transactions	154,094	207,422
Total financial assets	**1,246,304**	**1,467,439**
Financial liabilities		
Short-term borrowings and loans	11	2
Payables for exchange transactions	96,802	40,344
Total financial liabilities	**96,813**	**40,346**

Within the frame of its activities, TPU takes exposure to currency and credit risks, other price risks, interest risks and liquidity risks. The information below contains the description of such risks, policies and procedures for risk assessment and management.

Currency risk is a risk that fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign currency exchange rates.

TPU is exposed to currency risk due to the presence of economic events and transactions expressed in foreign currency, i.e. revenue and expenses for exchange transactions, business trips abroad. The currency risk is assessed by TPU's management as low, since currency transactions are insignificant in TPU's activities. Balances of cash denominated in foreign currency are disclosed in Table 30.

Table 30

Balances of TPU's Cash in foreign currency

(in thousands of Russian roubles)

Item	31 December 2016	31 December 2015
Cash balances in Euro	119,673	102,086
Cash balances in USD	175,149	104,657

Credit risk is the risk that one party will cause a loss for the other party by failing to pay for its liability under a financial instrument.

The maximum value of credit risk for financial instruments of TPU was RUB 1,246,304,000, RUB at 31 December 2016 and RUB 1,467,439,000 at 31 December 2015 respectively.

The primary items of financial assets are cash and receivables.

TPU's cash is mostly placed with the Russian Federal Treasury. Table 31 contains the information about credit quality of financial cash assets based on Fitch ratings at 31 December 2016, 31 December 2015.

Table 31

Credit quality of cash assets based on Fitch ratings

(in thousands of Russian roubles)

Name of financial institution	Rating at 31 December 2016	Rating at 31 December 2015	31 December 2016	31 December 2015
Russian Federal Treasury	BBB-	BBB	273,253	685,085
VTB Bank	BB+	BB+	31,043	216,188
Tomskpromstroybank	-	-	318	206,668
Gazprombank	BB+	BB+	780,647	150,076
Sberbank	BBB-	BBB-	6,758	-
Rosbank	B+	B+	5	-
Promregionbank	-	B+	-	1,909
Uralsib	B	B+	2	91
Total			**1,092,026**	**1,260,017**

4.14. Financial Instruments – Financial Risk Management (Continued)

TPU has no critical concentrations of credit risk in relation to receivables, since the risk occurs for a large number of service consumers, and it is not focused in a certain sector or geographic segment. TPU forms a doubtful debt provision, if the receivables are not repaid in 12 months after their occurrence. The maximum concentration of credit risk develops for receivables from research work. Primary customers in terms of R&D work are government bodies, government corporations and large government companies. Considering this, TPU's management believes that the credit risk for these receivables is also insignificant.

Other price risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market prices (besides those induced by interest and currency risk). It does not matter whether these changes are induced by the factors specific for a certain financial instrument or its issuer, or by the factors affecting all similar financial instruments that circulate in the market. Since TPU has no financial instruments affected by other price risk, the University is not exposed to other price risk.

Interest risk is a risk that fair value or future cash flows of a financial instrument will fluctuate due to the changes in interest rates. TPU has no financial instruments that are affected by the change in market interest rates. TPU's management believes that the University is not affected by an interest risk.

Liquidity risk is a risk that TPU will encounter difficulty in meeting obligations associated with financial liabilities that are repaid by cash or other financial assets. The amount of financial liabilities according to the statement of TPU as of 31 December 2016, 31 December 2015 was RUB 96,802,000, RUB 40,346,000 respectively (approximately 0.01% of the total amount of financial liabilities). Considering this, TPU's management believes that the University is not affected by liquidity risk, and all financial liabilities can be discharged to the full extent at all times.

At 31 December 2016 and 31 December 2015, TPU's financial instruments were mostly represented by cash and receivables from exchange transactions (around 99%), with fair value approximately equal to the balance value.

Undiscounted cash flows do not differ significantly from the amount included in the statement of financial position.

5. Disclosure of Line Items of the Statement of Financial Performance

5.1. Research and development

Revenue from research and development includes funds received under commercial contracts and compensation for research and development execution by the state programme (see Table 32).

Table 32

Disclosure of the "Research and development" line item in the Consolidated Statement of Financial Performance

(in thousands of Russian roubles)

Item details	2016	2015
R&D under commercial contracts	1,098,411	1,167,671
R&D execution as part of the State programme	395,261	380,989
Total	**1,493,672**	**1,548,660**

5.2. Educational services

Revenue from educational services includes funds received by the university for education from individuals, legal entities and subsidy for educational services (see Table 33).

Table 33

Disclosure of "Educational services" line item in the Consolidated Statement of Financial Performance

(in thousands of Russian roubles)

Item details	2016	2015
Educational services as part of the State programme execution	2,637,417	3,025,807
Educational services under commercial contracts	614,652	646,089
Total	**3,252,069**	**3,671,896**

5.3. Other Services

Table 34

Disclosure of "Other Services" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Income from hosting conferences, literature distribution, consulting services, advertising and other services	58,384	43,570
Revenue from leases	40,142	37,373
Public catering services	17,690	41,614
Resort services	4,299	7,351
Parental kindergarten fee	2,680	2,400
Total	**123,195**	**132,308**

5.4. Government Subsidies

The government subsidies are allocated for covering TPU's expenses on items specified in Table 35. The disclosure of unused remaining funds of government subsidies is provided in Table 36.

Table 35

Disclosure of "Government Subsidies" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Subsidies allocated by the Ministry of Education and Science of the Russian Federation, including:	**1,059,589**	**1,466,783**
Government support to leading Russian universities for promoting their competitiveness	543,333	901,509
Scholarship allocations	401,371	399,821
Implementation of research projects	-	72,000
Other	114,885	93,453
Subsidies allocated by the Administration of the Tomsk Region to subsidiary OOO TI TPU, including:	**1,019**	**23,542**
Budget appropriations for organisation and hosting of 1st all-Russian youth forum U-NOVUS-2014	-	21,942
Other	1,019	1,600
Total	**1,060,608**	**1,490,325**

State support of the leading universities in Russian Federation for the purposes of increasing their competitive ability is received as part of activities for the development of the leading universities, providing increasing of their competitive ability among the world leading research and educational centers.

Table 36

Unused balances of the government subsidies

(in thousands of Russian roubles)

Item details	31 December 2016	31 December 2015
Subsidies allocated by the Ministry of Education and Science of the Russian Federation, including:	**160,137**	**223,467**
Government support to leading Russian universities for promoting their competitiveness	147,109	179,442
Subsidy for business incubator construction	12,433	43,892
Other	595	133
Scholarships allocated by the Administration of the Tomsk Region to subsidiary OOO TI TPU	**25**	**45**
Total	**160,162**	**223,512**

5.5. Special-Purpose Budget Appropriations for Capital Investments

Table 37

Disclosure of "Special-Purpose Budget Appropriations for Capital Investments" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Subsidy for modernization of the infrastructure under the state programme execution	50,000	442,430
Subsidy for construction of swimming pool and business incubator	31,458	176,463
Budget investments in items of state property (funds from Federal Targeted Investment Program, FTIP)	-	97,567
Total	**81,458**	**716,460**

5.5. Special-Purpose Budget Appropriations for Capital Investments (Continued)

Subsidy for modernization of the infrastructure under the state programme execution has been provided for a purchase of scientific and research equipment and modernization of existing fixed assets. The subsidy was used in 2015.

The subsidy for construction of swimming pool and business incubator was received on the terms of co-financing by extra-budgetary funds. The swimming pool and the business incubator have been built and commissined in 2016.

In 2013-2014, the financing for a new dormitory for TPU, which was commissioned in December 2015, was provided under Federal Targeted Investment Programme.

5.6. Special-Purpose and Voluntary Contributions

Table 38

Disclosure of "Special-Purpose and Voluntary Contributions" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Donations	69,536	80,299
Targeted scholarships	26,137	13,427
Gift of tangible assets	25,639	56,193
Sponsor aid to host forums and conferences	-	34,576
Total	**121,312**	**184,495**

5.7. Employee Benefits

Table 39

Disclosure of "Employee Benefits" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Labour contract wages	(2,467,743)	(2,757,097)
Unified social tax for wages under labour contracts	(679,140)	(752,459)
Payments to individuals under civil contracts	(562,675)	(528,474)
Unified social tax for payments to individuals under civil contracts	(127,314)	(113,204)
Other employee benefits	(109,862)	(167,689)
Total	**(3,946,734)**	**(4,318,923)**

5.8. Received Interest and Dividends

Table 40

Disclosure of "Received Interest and Dividends" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Interest income	84,303	151,060
Received dividends from associates	242	418
Total	**84,545**	**151,478**

5.9. Income Taxes and Deferred Taxes

Deferred tax assets are disclosed in Table 41, deferred tax liabilities are disclosed in Table 42

Table 41

Deferred Tax Assets

(in thousands of Russian roubles)

Item details	31.12.2015	31.12.2014
Deferred tax assets for the accruals of estimated liabilities and provisions	21,370	15,083
Deferred tax assets for inventory	33,274	9,087
Deferred tax assets for accounts receivable	11,524	-
Deferred tax assets for PP&E items	1,514	1,303
Tax-loss carryforwards	-	485
Total	**67,682**	**25,958**

Table 42

Deferred Tax Liabilities

(in thousands of Russian roubles)

Item details	31.12.2016	31.12.2015
Deferred tax liabilities for PP&E items	74,646	79,174
Deferred tax liabilities for accounts payable	196	795
Deferred tax liabilities for accounts receivable	-	1,445
Total	**74,842**	**81,414**

Table 43

Disclosure of "Income Tax" line item in the Statement of Financial Results

(in thousands of Russian roubles)

Item details	2016	2015
Current income tax expense	(55,792)	(48,056)
Deferred income tax benefit	45,564	6,970
Total	**(10,228)**	**(41,086)**

Table 44

Disclosure of reconciliation of the financial result as per IPSAS to taxable income

(in thousands of Russian roubles)

Item	2016	2015
Income before taxation as per accounting information	**(429,737)**	**322,636**
Theoretical income tax expenses (20%)	85,947	(64,527)
Impact of other tax rates	-	-
Tax impact of non-taxable income and expenses	(96,175)	23,441
Total income tax expense	**(10,228)**	**(41,086)**
For reference:		
Income tax as per tax return	(55,792)	(60,206)
Changes of provision for tax penalties	-	12,150
Deferred tax benefit	45,564	6,970
Total	**(10,228)**	**(41,086)**

6. Related Parties

1) **The Russian Federation** (the Ministry of Education and Science of the Russian Federation, The Ministry of Industry and Trade of the Russian Federation, The Ministry of Culture of the Russian Federation) is TPU's founder and simultaneously allocates the subsidies intended for maintenance of TPU's activities and acts as a customer of R&D work performed under government contracts.

TPU's management declares that all contracts were signed on a tender basis in accordance with the established procedure and that general terms of R&D contracts are the same as those of similar contracts signed with third parties.

Table 45

Cash placed with the Federal Treasury

(in thousands of Russian roubles)

Line item	31 December 2016	31 December 2015
Cash	273,253	685,085
Total	**273,253**	**685,085**

Table 46

Receivables from the Russian Federation (represented by ministries and departments)

(in thousands of Russian roubles)

Prepayments	31 December 2016	31 December 2015
Prepaid other expenses	-	14
Advanced payment of stamp duty	7	-
Total	**7**	**14**

Table 47

Payables to the Russian Federation (represented by ministries and departments)

(in thousands of Russian roubles)

Prepayments received	31 December 2016	31 December 2015
Remaining unused subsidy for other purposes	160,138	223,468
Total	**160,138**	**223,468**

Table 48

Revenue from transactions with the Russian Federation (represented by ministries and departments)

(in thousands of Russian roubles)

Revenue	2016	2015
Educational services	2,637,417	3,025,807
Subsidies for other purposes	1,060,608	1,490,325
Revenue from executed R&D work within government contracts	432,961	447,134
Budget appropriations for construction	81,458	716,460
Other services	69	-
Total	**4,212,513**	**5,679,726**

Table 49

Expenses from transactions with the Russian Federation (represented by ministries and departments)

(in thousands of Russian roubles)

Expense	2016	2015
Other expenses	(7)	-
Total	**(7)**	**-**

6. Related Parties (Continued)

Table 50

Cash flows from transactions with the Russian Federation (represented by ministries and departments)

(in thousands of Russian roubles)

Cash flows from operating activities	2016	2015
Payments for educational services	2,637,417	3,025,807
Subsidies for other purposes	1,027,718	1,552,785
Receipts under agreements for execution of R&D work	432,961	380,990
Budget appropriations for construction	50,000	760,351
Payments for other services	69	-
Payments for other expenses	-	(8)
Total	**4,148,165**	**5,719,925**

2) TPU's donors include research foundations (RFBR and RFH). There were no receivables from research foundations at 31 December 2016 and 31 December 2015. Grants and R&D contracts were executed on a tender basis. Therefore, TPU's management declares that general terms of grant awards and R&D contract execution do not differ from those of similar contracts executed with third parties.

Table 51

TPU's payables to science foundations

(in thousands of Russian roubles)

Liabilities	31.12.2016	31.12.2015
Prepayments received under grant agreement	6,462	15,879
Total	**6,462**	**15,879**

Table 52

Revenue from transactions with science foundations

(in thousands of Russian roubles)

Revenue	2016	2015
Grants	169,568	138,572
Total	**169,568**	**138,572**

Table 53

Cash flows from transactions with science foundations

(in thousands of Russian roubles)

Cash flows from operating activities	2016	2015
Grants	160,195	154,451
Total	**160,195**	**154,451**

3) Companies with prevailing government interest (PAO Gazprom Group, PAO Rosneft, Roskosmos, unitary enterprises and budgetary institutions) provided donations to TPU, placed orders for R&D work and paid for educational services rendered to their employees. General terms and conditions of R&D contracts, educational services and other services do not differ from those of similar contracts executed with third parties.

6. Related Parties (Continued)

Receivables from and payables to government companies, as well as revenue and cash flows are disclosed in Tables 54-58.

Table 54

Receivables from government companies

(in thousands of Russian roubles)

Receivables	31 December 2016	31 December 2015
Performed R&D works	26,968	47,234
Rendered educational services	7,334	519
Other services	2,333	216
Prepayments	528	5,729
Total	**37,163**	**53,698**

Table 55

TPU's liabilities to government companies

(in thousands of Russian roubles)

Liabilities	31 December 2016	31 December 2015
Prepayments received for R&D works	10,145	18,024
Prepayments received for other services	1,163	13
Payables for materials and supplies	471	639
Prepayments received for educational services	2	6,613
Prepayments received under donation agreements	-	46,100
Payables for performed R&D works	-	8
Total	**11,781**	**71,397**

Table 56

Revenue from transactions with government companies

(in thousands of Russian roubles)

Revenue	2016	2015
R&D works	138,075	345,676
Educational services	58,554	55,352
Special-purpose and voluntary contributions	56,869	91,872
Other services	14,546	4,075
Total	**268,044**	**496,975**

Table 57

Purchases from government companies

(in thousands of Russian roubles)

Line item	2016	2015
R&D works	22,993	12,060
Tangible assets	4,706	23,079
Other services	3,407	11,894
Total	**31,106**	**47,033**

6. Related Parties (Continued)

Table 58

Cash flows from transactions with government companies

(in thousands of Russian roubles)

Cash flows	2016	2015
R&D works	173,129	319,796
Educational services	46,730	69,755
Special-purpose and voluntary contributions	10,769	184,072
Other services	10,321	3,864
Prepayments for performed R&D works	(16,487)	(38,140)
Payment for rendered other services	(4,079)	(24,682)
Payment for materials	(4,848)	(4,277)
Total	**215,535**	**510,488**

4) VTB Bank, Gazprombank, Sberbank (controlled by the government) provided banking guarantees to TPU and services related to settlement and cash transactions. Settlement and cash transactions and cash deposits do not differ from general terms and conditions of these services to third parties.

Table 59

Cash placed with banks controlled by the government

(in thousands of Russian roubles)

Line item	31 December 2016	31 December 2015
Gazprombank	780,647	-
VTB	31,034	216,188
Sberbank	6,758	-
Total	**818,439**	**216,188**

In 2016 the amount of interest income accrued and received under the Contracts for the minimum required balance on the corporate bank account was RUB 65,339,000 (VTB) and RUB 18,955,000 (Gazprombank).

Details of guarantees received are disclosed in Section 7 of the notes to the financial statements.

5) In the reporting period, the **Administration of the Tomsk Region** allocated subsidies to OOO TI TPU for execution of special-purpose activities.

Table 60

Remaining unused subsidy funds of the Administration of the Tomsk Region

(in thousands of Russian roubles)

Payables	31 December 2016	31 December 2015
Unused subsidy for other purposes	25	44
Total	**25**	**44**

Table 61

Revenue from transactions with the Administration of the Tomsk Region

(in thousands of Russian roubles)

Revenue	2016	2015
Subsidies for other purposes	1,019	23,542
Total	**1,019**	**23,542**

6. Related Parties (Continued)

Table 62

Cash flows from transactions with the Administration of the Tomsk Region

(in thousands of Russian roubles)

Cash flows	2016	2015
Subsidies for other purposes	1,000	23,442
Total	**1,000**	**23,442**

6) TPU's associates act as customers for R&D works performed by the University, educational services and other services, as well as providers of services, inventories and PP&E. The general terms and conditions of R&D contracts, educational services and other services do not differ from those of similar contracts executed with third parties.

Table 63

Receivables from associates

(in thousands of Russian roubles)

Receivables	31 December 2016	31 December 2015
Receivables for R&D works	3,732	3,572
Prepayments made for licenses	5	899
Receivables for educational services	-	12
Receivables for other services	-	10
Total	**3,737**	**4,493**

Table 64

TPU's payables to associates

(in thousands of Russian roubles)

Liabilities	31 December 2016	31 December 2015
Payables for services	850	2,098
Prepayments for R&D works	30	450
Prepayments for other services	-	-
Total	**880**	**2,548**

Table 65

Revenue from transactions with associates

(in thousands of Russian roubles)

Revenue	2016	2015
R&D works	1,637	4,817
Revenue from leases	373	305
Educational services	265	97
Dividends	242	418
Other services	21	32
Total	**2,538**	**5,669**

Table 66

Purchases from associates

(in thousands of Russian roubles)

Purchases	2016	2015
Services of third-party entities	54,276	54,912
Purchase of PP&E	43,447	24,390
Inventories	3,124	5,362
Total	**100,847**	**84,664**

6. Related Parties (Continued)

Table 67

Cash flows from transactions with associates

(in thousands of Russian roubles)

Cash flows	2016	2015
R&D works	1,083	7,443
Lease receipts	400	303
Educational services	276	85
Other services	22	21
Payments to service suppliers	(54,625)	(52,044)
Purchase of PP&E	(43,447)	(24,390)
Payments to suppliers of provisions	(3,124)	(5,362)
Dividends received	242	418
Total	**(99,173)**	**(73,526)**

7) **TPU's key management personnel** is represented by 18 individuals, including the Rector, Vice-rectors and their deputies, and the Chief Accountant. Long-term benefits for these employees are not provided in the respecting years.

Table 68

Short-term benefits for TPU's key management personnel

(in thousands of Russian roubles)

Item	2016	2015
Benefits for employees, including PIT (personal income tax)	63,359	50,643
Insurance fees	11,330	9,721
Total	**74,689**	**60,364**

7. Contingencies and Commitments

At 31 December 2016 and at 31 December 2015, TPU acts as the principal under the following bank guarantees issued to secure performance under contracts related to its main activities:

Table 69

Bank guarantees at 31 December 2016

(in thousands of Russian roubles)

Guarantor	Beneficiary	Guarantee amount (in thousands of Russian roubles)
GPB (AO)	PAO FSK EES	22,449
GPB (AO)	AO ESSK EES	11,089
PAO VTB Bank	OOO United Innovation Corporation	8,596
PAO VTB Bank	OAO Sakhalin Energy Company	5,270
GPB (AO)	PAO Novosibirsk Chemical Concentrates Plant	3,400
PAO VTB Bank	Administration of Tomsk oblast	1,080
GPB (AO)	OAO Vostokgazprom	957
Total		**52,841**

7. Contingencies and Commitments (Continued)

Table 70

Bank guarantees at 31 December 2015

(in thousands of Russian roubles)

Guarantor	Beneficiary	Guarantee amount (in thousands of Russian roubles)
PAO VTB Bank	OAO VNIIMN	21,132
PAO VTB Bank	Ministry of Industry and Trade of the Russian Federation	13,500
PAO VTB Bank	Administration of ZATO Seversk	4,998
GPB (AO)	AO ESSK EES	3,486
Total		**43,116**

At 31 December 2016, there were no legal proceedings that may have a significant impact on TPU's assets and liabilities in future periods. At 31.12.2016 the provision for litigation was recognised (see Note 4.13).

At 31 December 2016 and 31 December 2015, there were no significant capital commitments.

8. Events after the Reporting Date

In 2017, TPU management initiated a reform of the university's governance system that stipulated reducing line management (transformation of department-based structure) and setting up research schools. TPU established two Research Schools, six Engineering Schools, a School of Engineering Entrepreneurship and a School of Basic Engineering Training. According to the management, this reform will help improve the quality of education and research and reduce TPU's management and administrative costs.

There were no other subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.

27 November 2017

Rector, Professor, D. Sc. in Engineering — P.S. Chubik

First Vice-Rector, D.Sc. in Geology and Mineralogy — A.K. Mazurov

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