Grant Thornton

Financial Statements and Independent Auditor's Report

Armenian Lawyers Association NGO

December 31, 2015

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Independent auditor's report

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To the Board of Armenian Lawyers Association NGO

We have audited the accompanying financial statements of Armenian Lawyers Association NGO (the "Entity"), which comprise the statement of financial position as of December 31, 2015, and the statement of activities, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Armenian Lawyers Association NGO as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

October 7, 2016

Gagik Gyulbudaghyan	Emil Vassilyan, FCCA
Managing Partner	Engagement Partner

Statement of financial position

In thousand drams	Note	As of December 31, 2015	As of December 31, 2014	As of January 1, 2014
Assets				
Non-current assets				
Property and equipment	4	23,814	22,500	29,273
Investments in affiliates		13	13	13
Intangible assets		-	-	424
		23,827	22,513	29,710
Current assets				
Inventories		254	301	235
Accounts receivable	5	2,632	1,312	8,264
Bank balances		14,348	4,768	2,929
		17,234	6,381	11,428
Total assets		41,061	28,894	41,138
Liabilities and net assets				
Non-current liabilities				
Grants related to assets	6	23,814	22,500	29,697
		23,814	22,500	29,697
Current liabilities				
Accounts payable		431	435	3,298
Borrowings		5,505	1,700	-
Deferred income	7	11,290	5,143	9,568
		17,226	7,278	12,866
Net assets				
Accumulated result (unrestricted)		21	(884)	(1,425)
		21	(884)	(1,425)
Total liabilities and net assets		41,061	28,894	41,138

The financial statements were approved on October 7, 2016 by:

Karen Zadoyan
President

Alvard Hovhannisyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 20.

Statement of activities

In thousand drams	Note	Year ended December 31, 2015	Year ended December 31, 2014
Income from grants	9	133,426	135,450
Membership fees		780	237
Financial items, net		91	(449)
Total income		134,297	135,373
Employee benefit expenses		(84,189)	(100,221)
Grant expenses		(23,744)	-
Depreciation expense	4	(4,726)	(7,503)
Program service expenses		(9,748)	(8,172)
Utilities and communication expenses		(5,621)	(6,700)
Office expenses		(1,742)	(5,084)
Other expenses		(3,622)	(7,152)
Total expenses		(133,392)	(134,832)
Result for the year		905	541

The statement of activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 20.

Statement of changes in net assets

In thousand drams	Accumulated result (unrestricted)	Total
As of January 1, 2014	(1,425)	(1,425)
Result for the year	541	541
As of December 31, 2014	(884)	(884)
Result for the year	905	905
As of December 31, 2015	21	21

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 20.

Statement of cash flows

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Result for the year	905	541
Adjustments for:		
Depreciation and amortization	4,726	7,503
Income from grants	(133,426)	(135,585)
Foreign exchange loss/(gain)	91	(449)
Operating result before working capital changes	(127,704)	(127,990)
Change in inventories	47	(66)
Change in receivables	(1,320)	6,952
Change in payables	(4)	(2,863)
Cash generated used in operations	(128,981)	(123,967)
Grants received	140,887	123,963
Cash from/(used in) operating activities	11,906	(4)
Cash flows from investing activities		
Acquisition of property and equipment	(6,040)	(306)
Net cash used in investing activities	(6,040)	(306)
Cash flows from financing activities		
Proceeds from borrowings	3,805	1,700
Net cash from financing activities	3,805	1,700
Net increase in bank balances	9,671	1,390
Foreign exchange effect on cash	(91)	449
Bank balances at the beginning of the year	4,768	2,929
Bank balances at the end of the year	14,348	4,768

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 20.

Notes to the financial statements

1 Nature of operations and general information

Armenian Lawyers Association NGO (the "Entity") is a benevolent non-governmental organization based in the Republic of Armenia. The Organization has been registered according to the decree number 03A 060677 dated May 13, 1997 issued by the Colleague of the Ministry of Justice of the Republic of Armenia. The Organization is the successor of the Lawyers Union registered on 14.03.1995 by 12/2-2 decision of the Board of RA Ministry of Justice and "Armenian Lawyers Association" non-governmental organization re-registered on 13.12.1999 by 2031 order of RA Minister of Justice.

The activities of the Entity are carried out in accordance with the Constitution of the Republic of Armenia, the acting laws of the Republic of Armenia, International treaties and the present Charter.

The Entity's accounting and financial reporting practices are governed by the applicable EU directives and Armenian regulations (accrual basis of accounting and annual statutory reporting).

The mission of Armenian Lawyers Association is:

- developing a new generation of highly professional lawyers;
- having a modern outlook and moral values;
- promoting the establishment of rule of law, and formation of the legal culture in the society.

The values of the organization are:

- Modern legal culture based upon the heritage of centuries old Armenian values.
- Legally educated society, which is aware of its rights.
- Protect human rights.
- Highly professional lawyers and advocates, possessing a new and modern methodology.
- Powerful and a strong civil society.

The main office of the Entity is located at 26a Movses Khorenatsi Street, Yerevan, Republic of Armenia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRS, as detailed in the International Accounting Standards Board ("IASB") *Framework for Preparation and Presentation Financial Statements.*

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the Entity's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Entity.

These financial statements are presented in Armenian drams rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include recognition of contribution income, and recognition of grant expenses. These assumptions and estimates are explained in note 9 to the financial statements.

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Entity has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2015.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Entity.

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia (the "CBA") prevailing on the reporting date, which is 483.75 drams for 1 US dollar as of December 31, 2015 (January 1, 2014: 405.64 drams and December 31, 2014: 474. 97 drams for 1 US dollar).

Exchange differences arising from foreign currency transactions, as well as on the settlement and retranslation of monetary items, are included in the result for the period.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities.

Depreciation is charged to the statement of activities on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings and constructions	-	20 years
Other	-	1-10 year

3.3 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Entity becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets other than hedging instruments are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the result or directly in other comprehensive income. Refer to note 10.2 for a summary of the Entity's financial assets by category.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

Accounts receivable

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of receivables is established, when there is objective evidence that the Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments (including from donors) are considered indicators that the receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. All accounts receivable for which collection is not considered probable are written-off.

Grants expected from donors are stated as receivables, when as of the reporting date there is reasonable assurance that they will be received (refer to note 3.6). In the financial statements they are stated as grants receivables.

The amounts paid to sub-grantees in the framework of a sub-grant agreement are recognized in receivables as advances to sub-grantees until the sub-grantees submit documents supporting the expenses they incurred, in which case the advances are expensed (under the caption "Grant expenses").

Bank balances

The bank balances comprise bank accounts and cash in transit.

Classification and subsequent measurement of financial liabilities

A summary of the Entity's financial liabilities by category is given in note 10.2.

i. Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.4 Grants

Grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and the grants will be received.

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to the result on a systematic and rational basis over the useful lives of the related assets.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the result of the year, when they become receivable.

Grants received from donors, which as of a reporting date have not been used, are recognized in the statement of financial position of the Entity as deferred income (current liability) and are systematically transferred to the result of the year, along with the grants usage.

All grant income is recognized in the statement of financial position as deferred income, when it becomes receivable, which is the date when the Entity has entered into legally binding commitments. Deferred income is transferred to the statement of activities in line with the realization of the grant commitments. However, if the amount of deferred income turns out to be more than is required by the Entity to meet its commitments, the surplus amount is deducted from the balance of the deferred income and the respective receivables from donors. The amount of this adjustment is not reflected in the statement of activities.

If the amount of the grant recognized exceeds the expenses of the Entity, which are necessary for the implementation of the whole grant, the exceeded part is reduced from the amount of the recognized deferred income and the accounts receivable on grants.

3.5 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable results will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable result nor the accounting result.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable results will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4 Property and equipment

In thousand drams	Buildings and constructions	Machinery, equipment and transportation	Fixture, fittings and others	Property and equipment out of exploitation	Total
Cost					
As of January 1, 2014	43,454	73,570	34,483	5,284	156,791
Additions	-	261	45	-	306
Disposal	-	(10,462)	-	-	(10,462)
As of December 31, 2014	43,454	63,369	34,528	5,284	146,635
Additions	-	6,040	-	-	6,040
Disposal	-	(19,126)	(1,161)	-	(20,287)
As of December 31, 2015	43,454	50,283	33,367	5,284	132,388
Accumulated depreciation and impairment					
As of January 1, 2014	23,973	67,221	32,044	4,280	127,518
Charge for the year	2,194	3,170	1,715	-	7,079
Eliminated on disposal	-	(10,462)	-	-	(10,462)
As of December 31, 2014	26,167	59,929	33,759	4,280	124,135
Charge for the year	2,182	2,544	-	-	4,726
Eliminated on disposal	-	(19,126)	(1,161)	-	(20,287)
As of December 31, 2015	28,349	43,347	32,598	4,280	108,574
Carrying amount					
As of December 31, 2014	17,287	3,440	769	1,004	22,500
As of December 31, 2015	15,105	6,936	769	1,004	23,814

Acquisitions of the items of the property and equipment were done using the resources of the following grants (refer to note 6):

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Embassy of the United States of America	-	218
European Union	6,040	88
	6,040	306

5 Accounts receivable

In thousand drams

	As of December 31, 2015	As of December 31, 2014
Receivables on membership fees	601	-
Advances to sub-grantees	2,026	1,294
Other advances and receivables	5	18
	2,632	1,312

Advances to sub-grantees are disclosed below:

In thousand drams

	As of December 31, 2015	As of December 31, 2014
“Freedom of Information Center of Armenia” NGO	721	1,294
“MIASIN for Protection of the Rights of People with Disabilities” NGO	1,305	-
	2,026	1,294

6 Grants related to assets

In thousand drams	2015	2014
Balance at the beginning of year	22,500	29,697
Additions (refer to note 4)	6,040	306
Realized to income (refer to note 8)	(4,726)	(7,503)
Balance at the end of year	23,814	22,500

7 Deferred income

In thousand drams

	2015	2014
Balance at the beginning of year	5,143	9,568
Additions	140,887	156,445
Reclassification to grants related to assets	(6,040)	(306)
Income recognition	(128,700)	(160,564)
Balance at the end of year	11,290	5,143

Additions represent contributions accrued from the following organizations:

In thousand drams

	Year ended December 31, 2015	Year ended December 31, 2014
European Union	113,503	90,980
Embassy of the United States of America	2,421	28,150
Embassy of the Czech Republic	-	4,951
Embassy of Germany	16,991	-
Organization for Security and Cooperation in Europe	7,972	-
UN Refugee Agency (return of unspent grant)	-	(118)
	140,887	123,963

The balance of deferred income relates to the outstanding balance of the European Union funds.

8 Income from grants and contributions

In thousand drams

	Year ended December 31, 2015	Year ended December 31, 2014
Income from deferred income (refer to note 7)	128,700	128,082
Income from grants related to assets (refer to note 6)	4,726	7,503
	133,426	135,585

Income from grants and contributions by sources is presented below:

In thousand drams

	Year ended December 31, 2015	Year ended December 31, 2014
European Union	101,275	86,498
Embassy of the United States of America	2,472	36,959
Embassy of the Czech Republic	-	4,625
Embassy of Germany	16,981	-
Organization for Security and Co-operation in Europe	7,972	-
	128,700	128,082

9 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

9.1 Critical accounting estimates

The Entity makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

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

- expected usage of the assets;
- expected physical wear and tear, which depends on operational factors and maintenance programme;
- technical or commercial obsolescence arising from changes in market conditions.

If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Grants recognition

As disclosed in note 3.4, grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and the grants will be received. For each grant agreement management estimates the probability that it will satisfy the conditions attached to the grant, and that the grant will be received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Entity to completely implement the grant. If management estimates that the Entity will be able to satisfy the conditions attached to the grant, and that the donor is ready to completely transfer the grant amounts, such grants are immediately recognized in the financial statements (as grants receivable and deferred income), when the respective grant agreement is signed. However, if the management is mistaken in its estimates, the financial statements may be adjusted, and those adjustments may be significant to the financial statements of the Entity.

10 Financial instruments

10.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.5.

10.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets

In thousand drams	As of December 31, 2015	As of December 31, 2014
Loans and receivables		
Accounts receivable	601	-
Bank balances	14,348	4,768
	14,949	4,768

Financial liabilities

In thousand drams	As of December 31, 2015	As of December 31, 2014
Financial liabilities measured at amortized cost:		
Borrowings	5,505	1,700
	5,505	1,700

11 Financial risk management

The Entity is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The management of the Entity is responsible for the effective financial risk management system as well as for the development of financial risk management policy. The management regularly revises this system and policy to reflect the current market changes.

The most significant financial risks to which the Entity is exposed are described below.

Financial risk factors

a) Market risk

The Entity is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from both its operating and investing activities.

Foreign currency risk

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets and liabilities which expose the Entity to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item	In thousand drams	
As of December 31, 2015	US dollar	Euro
Financial assets		
Accounts receivable	32	9,810
Net position	32	9,810

Item	In thousand drams	
As of December 31, 2014	US dollar	Euro
Financial assets		
Accounts receivable	-	1,084
Net position	-	1,084

The following table details the Entity's sensitivity to a 10% (2014: 10%) increase and decrease in dram against US dollar and Euro. 10% (2014: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2014: 10%) change in foreign currency rates.

If the Armenian dram had strengthened against US dollar and Euro by 10% (2013: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2015	2014	2015	2014
Result	3	-	981	108

Exposures to foreign exchange rates vary during the year depending on the grants received in foreign currency. Nonetheless, the analysis above is considered to be representative of the Entity's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Entity. The effect of this risk for the Entity arises from different financial instruments, such as accounts receivable, especially the amounts expected from donors. Management believes that the credit risk on these amounts is low, since the practice with those donors shows that donors always transfer the agreed amounts. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of December 31, 2015	As of December 31, 2014
Financial assets at carrying amounts		
Bank balances	14,348	4,768
	14,348	4,768

The credit risk for bank balances is considered negligible, since the counterparties are reputable banks, which have a credit rating of BBB- by Fitch international rating agency.

c) Liquidity risk

Liquidity risk is the risk that the Entity will be unable to meet its obligations.

The Entity's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The Entity considers expected cash flows (including grants from donors) from financial assets in assessing and managing liquidity risk, particularly its cash resources. The Entity's cash resources exceed the current cash outflow requirements.

12 Contingencies

12.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of the economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Entity. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Entity may be affected.

Management of the Entity believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Entity.

16.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Entity does not have full coverage for its business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Entity property or relating to the Entity activities. Until the Entity obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Entity's activities and financial position.

16.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

13 Related parties

The Entity's related parties include the members of the Board of the Armenian Lawyers Association NGO of the Entity and its President.

13.1 Transactions with management

The Senior Management received the following remuneration during the year, which is included in employee benefits.

In thousand drams	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and bonuses	22,955	18,546

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