ARMENIAN LAWYERS ASSOCIATION NGO

FINANCIAL STATEMENTS

in Armenian Drams

31 December 2020

YEREVAN 2021

CONTENTS

bakertilly

Baker Tilly Armenia CJSC
22 Hanrapetutyan Street
0010 Yerevan, Republic of Armenia
Tel: +374(10) 544-301
Tel: +374(10) 544-307/309
Fax: +374(10) 562-404
Email: info@bakertillyarmenia.com
www.bakertilly.am

30.06.2021
№ 022117

CONFIRMED BY:

P. GEVORGYAN

Managing Partner
Baker Tilly Armenia CJSC

License for auditing N054 awarded by the Ministry of Finance and Economy of the Republic of Armenia

INDEPENDENT AUDITOR'S REPORT

To Board of
"Armenian Lawyers Association NGO

Opinion

We have audited the accompanying financial statements of Armenian Lawyers Association NGO (hereafter, "the Organization"), which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Activities, the Statement of Changes in Net Assets, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Organization's financial statements for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 April, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

Auditor

A. Karapetyan

30.06.2021

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020	2019
			AMD ths.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	170,972	183,799
Intangible Assets	5	7,594	307
Investments in affiliates		13	13
Total Non-Current Assets		**178,579**	**184,119**
Current Assets			
Inventory		-	133
Accounts receivable and prepayments	6	908	43,407
Cash and cash equivalents	7	6,503	7,740
Total Current Assets		**7,411**	**51,280**
TOTAL ASSETS		**185,990**	**235,399**
LIABILITIES AND NET ASSETS			
Non-current Liabilities			
Deferred tax liabilities	8	27,113	29,422
Grants related to assets	9	18,166	20,653
Total Non-current Liabilities		**45,279**	**50,075**
Current Liabilities			
Accounts payable	10	594	42,144
Grants related to income	11	14,722	9,149
Income tax liability		15	-
Total Current Liabilities		**15,331**	**51,293**
Net Assets			
Accumulated result		(60,873)	(52,222)
PPE revaluation reserve		186,253	186,253
Total Net Assets		**125,380**	**134,031**
TOTAL LIABILITIES AND NET ASSETS		**185,990**	**235,399**

Karen Zadoyan
President

Armen Petrosyan
Outsource Accounting manager
Datalab Ltd

Date of signature: 30.06.2021

STATEMENT OF ACTIVITIES
For the year ended 31 December 2020

AMD ths.

	Notes	2020	2019
Income	12	35,904	557,126
Income from grants		706	196
Membership fees		6,843	-
Other		11	11
Dividends received		-	1,398
Total income		**43,464**	**558,731**
Expense			
Employee benefit expenses		(20,466)	(91,171)
Grant expenses		(14,783)	(446,647)
Depreciation and amortization expenses		(13,336)	(20,656)
Program service expenses		(545)	(6,452)
Utilities and communication expenses		(1,302)	(3,315)
Office expenses		(4,771)	(3,449)
Other expenses		(215)	(1,081)
Net gain/(loss) from exchange differences		1,009	(4,261)
Total expenses		**(54,409)**	**(577,032)**
Result before income tax		**(10,945)**	**(18,301)**
Income tax recovery	13	2,294	6,929
Result for the year		**(8,651)**	**(11,372)**

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2020

AMD ths.

	Revaluation reserve	Accumulated result	Total
Balance as of 01 January 2019	186,253	(40,850)	145,403
Result for the year	-	(11,372)	(11,372)
Balance as of 31 December 2019	**186,253**	**(52,222)**	**134,031**
Result for the year	-	(8,651)	(8,651)
Balance as of 31 December 2020	**186,253**	**(60,873)**	**125,380**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

AMD ths.

	2020	**2019**
Cash flows from operating activity		
Result for the year	(8,651)	(11,372)
Adjustments for:		
Depreciation and amortization	13,336	20,656
Income from grants	(35,904)	(557,126)
Income tax recovery	(2,294)	(6,929)
(Gain) / Loss from exchange differences	(1,009)	4,261
Operating result before changes in working capital	**(34,522)**	**(550,510)**
Decrease in accounts receivable and prepayments	42,492	25,095
Decrease/(increase) in inventory	133	(133)
(Decrease) / increase in accounts payable	(41,550)	38,390
Cash used in operations	**(33,447)**	**(487,158)**
Donations received	38,990	196,034
Net cash flows from operating activity	**5,543**	**(291,124)**
Cash flows from investing activity		
Acquisition of PPE and intangible assets	(7,796)	(4,857)
Net cash flows from investing activity	**(7,796)**	**(4,857)**
Net decrease in cash and bank balances	(2,253)	(295,981)
Foreign exchange effect on cash flows	1,016	(4,261)
Cash and bank balances at the beginning of the year	7,740	307,982
Cash and bank balances at the end of the year	**6,503**	**7,740**

Notes attached to the Financial Statements

For the year ended 31 December 2020

1. Nature of operations and general information

Armenian Lawyers Association NGO (hereafter, the “Organization”) is a benevolent non-governmental organization based in the Republic of Armenia. The Company has been registered according to the decree number 03A 060677 dated 13 May 1997 issued by the Collegium under the Minister of Justice of the Republic of Armenia. The Organization is the successor of the Lawyers Union registered on 14 March 1995 by 12/2-2 decision of the Collegium of the RA Ministry of Justice and Armenian Lawyers Association non-governmental organization re-registered on 13 December 1999 by the Order No 2031 of the Minister of Justice of the Republic of Armenia.

The activities of the Organization 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 Organization’s accounting and financial reporting practices are governed by the applicable EU directives and the RA normative legal acts.

The mission of the Organization 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 Organization is located at 7 Nalbandyan Street, Yerevan, Republic of Armenia. Number of staff as of 31 December 2020 is 12 people (as of 31 December 2019 – 10 people)

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

Management of the Organization adopted the approach of net asset presentation of the financial statements. The net asset is the difference between the assets and liabilities of the Organization and includes its accumulated result.

2.2 Basis of measurement

The financial statements have been prepared on the initial cost basis, except for certain property and equipment that are stated at their revalued amounts.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian Dram (AMD), which is the Organization’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization.

These financial statements are presented in Armenian Drams, since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian Drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires that the Organization management make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses of 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 are disclosed in the note 20 to the financial statements. Although the estimates and corresponding assumptions are regularly reviewed, based on the management information on current indicators, they often differ from the actual results. Therefore, an adjustment of the assumptions and judgments will be made in the year when the conditions will have changed.

2.5 Adoption of new and revised standards

At the date of authorization of these financial statements, a number of new standards, amendments and interpretations to the existing Standards have been published which are not yet effective. The Organization did not early adopted any of these pronouncements.

Management anticipates that applicable new standards and interpretations will be adopted by the Company in the reporting period following the date of their entry into force.

Management does not anticipate a material impact on the Organization's financial statements from these Amendments, which are presented below:

- *Interest Rate Benchmark Reform /phase 2/* (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4 and IFRS 7);
- *Entries before expected use* (Amendments to IFRS 16);
- *Reference to the Conceptual Framework (*Amendments to IFRS 3);
- *Onerous Contracts — Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Annual Improvements to IFRSs 2018-2020* (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16);
- *Amendments to classification of liabilities as current or non-current* (Amendment to IFRS 1).

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 prevailing on the reporting date, which is 522.59 AMD for 1 US Dollar and 641.11 AMD for 1 Euro as of 31 December 2020 (31 December 2019: 479.70 AMD for 1 US Dollar and 537.26 AMD for 1 Euro). Non-monetary items are not retranslated and are measured at the historic cost (translated using the exchange rates as at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in the result for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the result for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in net assets. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in net assets.

3.2 Property and equipment

The cost of an item of PPE is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

An item of PPE is recorded at the initial value less accumulated depreciation, taking into account the accumulated impairment loss. 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.
Gain or loss arising on 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 profit or loss.

Organization recognizes expenditure to replace a component of an item of PPE in its carrying amount if the expenditure increases future economic benefits arising from the PPE and complies with recognition criteria. Cost of the replaced components is derecognized. Other subsequent expenditure is capitalized only if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of comprehensive income as incurred.

Depreciation is charged to the statement of comprehensive income for the year on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for their purposeful use.
The estimated useful lives of Property and equipment are as follows:

Buildings and constructions	-	20 years
Transportation means and equipment	-	1-10 years
Household equipment	-	1-10 years

3.3 Intangible assets

a) Initial recognition

Intangible asset is recognized when:
- it is probable that the future economic benefits that are attributable to the asset will flow to the Organization;
- the asset is a resource that is controlled by the Organization as a result of past events; and
- the cost of the asset can be measured reliably.

b) Subsequent measurement

After initial recognition, intangible assets are carried at cost (taking into account subsequent expenditure capitalized) less any accumulated amortization and any accumulated impairment losses.

Intangible assets, which have been acquired by the Organization and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is recognized in annual results on a straight-line basis over the estimated useful life of the intangible asset, which is estimated to be 10 years.

3.4 Inventory

Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventory is calculated using the FIFO (first-in, first-out) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

At each reporting date the Organization assesses the net realizable value of available inventories. The Organization management uses judgment to determine their net realizable value derived from the characteristics of those inventories.

If, as a result of valuation, it becomes evident that the net realizable value is lower than the cost of inventories, the difference is expensed in the statement of activities.

3.5 Financial instruments

Classification and subsequent measurement

Financial assets

Financial assets are measured on initial recognition at fair value less directly attributable transaction costs; subsequently they are measured at amortized cost.

Financial liabilities are measured on initial recognition at fair value less directly attributable transaction costs, they have not been designated as at fair value through profit or loss; subsequently they are measured at amortized cost.

3.6 Impairment

Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.7 Grants / Donations

Grants are not recognized until there is a reasonable assurance that the Organization will comply with all the conditions attached to them and that the grants will be received.

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

Other grants are recognized as income over the periods necessary to match them with the costs (program, administrative, etc.) for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized as an income in the period when they become receivable.

3.8 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 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 profits 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 legal acts regulating tax relationships) 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 Organization expects, at the end of the reporting period, to recover or settle the carrying amounts of their assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Organization intends to settle its current tax assets and liabilities on a net basis.

3.9 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly during twelve months after the end of the annual reporting period in which the employees render the related services and include:

(a) wages, salaries and bonuses;
(b) paid annual leaves and paid disability leaves;
(c) social security contributions and other social payments;

When employees render services to the Organization during the accounting period, the Organization recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Organization shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
(b) as an expense, unless the amount is included in the cost of an asset.

Paid absences

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
(b) in the case of non-accumulating paid absences, when the absences occur.

Bonuses

The expected cost of bonus payments is recognized when and only when the Organization has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

3.10 Income

Income arises mainly from the grants and membership fees. For the accounting policy for income from grants refer to note 3.7. Income from membership fees is recognized at the end of each reporting period when the Company obtains the right for those fees.

4 Property and equipment

AMD ths.

	Buildings and constructions	Transportation means, equipment	Household property and other fixed assets	Total
Initial cost/reassessed value				
as of 1 January 2019	717,697	97,139	40,705	855,541
Addition	-	4,431	337	4,768
as of 31 December 2019	**717,697**	**101,570**	**41,042**	**860,309**
Addition	-	417	-	417
Disposals /Write-offs	-	(6,247)	(2,164)	(8,411)
as of 31 December 2020	**717,697**	**95,740**	**38,878**	**852,315**
Depreciation and impairment				
as of 1 January 2019	533,047	91,189	31,651	655,887
Charge for the year	10,274	6,906	3,443	20,623
as of 31 December 2019	**543,321**	**98,095**	**35,094**	**676,510**
Charge for the year	10,274	2,377	593	13,244
Disposals / write-offs	-	(6,247)	(2,164)	(8,411)
as of 31 December 2020	**553,595**	**94,225**	**33,523**	**681,343**
Net Carrying amount				
as of 31 December 2019	**174,376**	**3,475**	**5,948**	**183,799**
as of 31 December 2020	**164,102**	**1,515**	**5,355**	**170,972**

5 Intangible assets

AMD ths.

	Computer software	Total
Initial value		
as of 31 December 2019	**2,994**	**2,994**
Addition	7,379	7,379
as of 31 December 2020	**10,373**	**10,373**
Amortization		
as of 31 December 2019	**2,687**	**2,687**
Charge for the year	92	92
as of 31 December 2020	**2,779**	**2,779**
Net carrying amount		
as of 31 December 2019	**307**	**307**
as of 31 December 2020	**7,594**	**7,594**

Addition during the reporting year relates to development of the Online Anti-Corruption Training Platform on the armla.am website

6 Accounts Receivable and prepayments

	2020	*AMD ths.* 2019
Grants receivable	-	42,958
Receivables regarding services provided	878	-
Prepayments regarding acquisition of goods and services	30	192
Receivables regarding State Budget	-	257
	908	**43,407**

7 Cash and cash equivalents

	2020	*AMD ths.* 2019
Non-cash funds in Armenian Drams	5,999	2,367
Non-cash funds in foreign currency	504	5,373
	6,503	**7,740**

8 Deferred tax liabilities

	2020	*AMD ths.* 2019
Balance at the beginning of the year	29,422	36,351
Credited to the result for the year (refer to the Note 13)	(2,309)	(6,929)
Balance at the year end	**27,113**	**29,422**

The applicable rate regarding deferred tax is 18% (for 2018 – 18%).

Movement in deferred tax assets and liabilities

	2019	Recognition in financial results	*AMD ths.* 2020
Property and Equipment	29,422	(2,309)	27,113
Total deferred tax liabilities	**29,422**	**(2,309)**	**27,113**
Net deferred tax (liability)/asset	**(29,422)**	**2,309**	**(27,113)**

	2018	Recognition in financial results	*AMD ths.* 2019
Property and Equipment	36,351	(6,929)	29,422
Total deferred tax liabilities	**36,351**	**(6,929)**	**29,422**
Net deferred tax (liability)/asset	**(36,351)**	**6,929**	**(29,422)**

9 Grants related to assets

	2020	*AMD ths.* 2019
Balance as at 01 January	**20,653**	**18,151**
Transferred from grants related to income	-	4,857
Income recognition	(2,487)	(2,355)
Balance as at 31 December	**18,166**	**20,653**

10 Accounts payable

	2020	*AMD ths.* 2019
Trade payables	440	3,370
Grants payable	-	38,578
Payables to the State Budget	154	154
Other payables	-	42
	594	**42,144**

11 Grants related to income

	2020	*AMD ths.* 2019
Balance as at 01 January	**9,149**	**372,743**
Amounts received	38,990	196,034
Transferred to grants related to assets	-	(4,857)
Income recognition	(33,417)	(554,771)
Balance as at 31 December	**14,722**	**9,149**

The amounts received include:

	2020	*AMD ths.* 2019
European Union	-	136,610
Center for International Private Enterprise	-	17,725
SME Cooperation Association	-	1,155
Union of Communities of Armenia	-	1,834
Armenian Center for Democratic Education - CIVITAS	-	1,322
Agora CE	-	448
International Center for Human Development	-	2,353
Swedish International Development Cooperation Agency -SIDA	23,488	-
UNDP	13,135	-
Contribution from sub-grantees	2,367	34,587
	38,990	**196,034**

12 Income from grants

	2020	*AMD ths.* 2019
Grants related to assets	2,487	2,355
Grants related to income	33,417	554,771
	35,904	**557,126**

13 Income tax refund

	2020	*AMD ths.* 2019
Current tax	(15)	-
Deferred tax (refer to Note 8)	2,309	6,929
	2,294	**6,929**

Reconciliation of effective tax rate is as follows:

AMD ths	Year ended 31 December 2020	Effective tax rate (%)	Year ended 31 December 2019	Effective tax rate (%)
Result before taxation (under IFRSs)	62,174		69,104	
Profit tax at 18% (2019: 18%)	(1,970)	18.0	(3,294)	18.0
(Non-taxable income)/non-deductible expense, net	(324)	0.03	(4,001)	21.9
Effect of changes in tax rates	-	-	366	(2.0)
Income tax refund	**(2,294)**	**18.03**	**(6,929)**	**37.9**

14 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.

14.1 Critical accounting estimates

The Organization makes estimates and assumptions concerning the future. These accounting estimates, as a rule, may not match the 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

Management has estimated the useful lives of the property and equipment. Management believes that the estimated useful lives of the property and equipment are not materially different from economic lives of those assets. If the actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Recognition of grants

Grants are not recognized until there is a reasonable assurance that the Organization will comply with all the conditions attached to them and that 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 completely received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Organization to completely realize the grant. If management estimates that the Organization 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 Organization.

15 Financial instruments

15.1. Significant accounting policies

Details of the significant accounting policies and methods adopted in respect of each class of financial asset and financial liability are disclosed in note 3.5.

15.2 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	**2020**	***AMD ths.*** **2019**
Accounts receivable	878	42,958
Cash and bank balances	6,503	7,740
	7,381	**50,698**

Financial liabilities	**2020**	***AMD ths.*** **2019**
Accounts payable	440	41,990
	440	**41,990**

16 Financial risk management

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

Financial risk factors

a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization. The effect of this risk for the Organization arises from different financial instruments, such as accounts receivable, etc. The maximum exposure to credit risk is represented by the carrying amounts of the following financial assets:

	2020	***AMD ths.*** **2019**
Accounts receivable	878	42,958
Bank balances	6,503	7,740
	7,381	**50,698**

The credit risk for cash and cash equivalents is considered acceptable, since the counterparties are reputable banks.

b) Market risk

Market risk is the risk of a change in the Organization's income or the value of its financial instruments as a result of changes in market prices, including exchange rates, interest rates, and stock prices. The purpose of market risk management is to manage and control the risk in a way that enables to maintain the degree of exposure to this risk within acceptable limits, while ensuring the optimization of return on risk.

Foreign currency risk

Currency risk is the risk that the present value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Organization's functional currency. The Organization is exposed to foreign exchange risk primarily as a result of transactions denominated in US Dollars and Euros. Management of the Organization focuses on currency fluctuations and takes appropriate actions.

The Organization's exposure to foreign currency risk is presented below:

2020	**US Dollar**	**Euro**
Financial assets		
Accounts receivable	-	-
Cash and cash equivalents	505	-
	505	**-**
Financial liabilities		
Accounts payable	-	-
	-	**-**
Net exposure	**505**	**-**

2019	**US Dollar**	**Euro**
Financial assets		
Accounts receivable	4,783	-
Cash and cash equivalents	-	5,373
	4,783	**5,373**
Financial liabilities		
Accounts payable	-	1,238
	-	**1,238**
Net exposure	**4,783**	**4,135**

Sensitivity analysis

A 10% strengthening/weakening of the Armenian dram against the US Dollar and the Euro as of December 31 would have affected the values of financial instruments denominated in those currencies and the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant, and the effect of the expected sales and purchases is not taken into account.

10% strengthening

AMD ths.

	US Dollar impact		**Euro Impact**	
	2020	**2019**	**2020**	**2019**
Profit / (loss)	(51)	(478)	-	(414)

10% weakening

AMD ths.

	US Dollar impact		**Euro Impact**	
	2020	**2019**	**2020**	**2019**
Profit / (loss)	51	478	-	414

17 Contingencies

17.1 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 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 dependent. 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 Organization. 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 Organization may be affected.

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

17.2 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 Organization does not have full coverage for its assets and interruption of activity, or third party liability in respect of property or environmental damage arising from accidents on the Organization property or relating to the Organization operations. Until the Organization 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 Organization’s operations and financial position.

17.3 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.

18 Transactions with related parties

The Organization's related parties include the Board members and president.

18.1 Transactions with related parties

During the reporting period, the following transactions were conducted with the related parties:

		AMD ths.
	2020	**2019**
Salaries and bonuses	5,691	29,590
	5,691	**29,590**