Financial Statements and Independent Auditor's Report

Armenian Lawyers Association NGO

31 December 2017

Contents

Grant Thornton

Independent auditor's report

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To the Board of Armenian Lawyers Association NGO

Opinion

We have audited the financial statements of Armenian Lawyers Association NGO (the "Company), which comprise the statement of financial position as of 31 December 2017, the statement of activities, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements as of 31 December 2016 were not audited.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Company'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 those authorized by the legislation of the Republic of Armenia either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 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 Company 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.

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.

Armen Hovhannisyan	Emil Vassilyan, FCCA
Chief Executive Officer	Engagement Partner

23 April 2020

Statement of financial position

In thousand drams	Note	As of 31 December 2017	As of 31 December 2016 (unaudited)
Assets			
Non-current assets			
Property and equipment	4	229,702	251,031
Intangible assets		281	-
Investments in affiliates		13	13
		229,996	251,044
Current assets			
Inventories		101	-
Accounts receivable	6	30,668	1,872
Bank balances		61,815	240,405
		92,584	242,277
Total assets		322,580	493,321
Liabilities and net assets			
Non-current liabilities			
Deferred income tax liabilities	5	41,601	46,563
Grants related to assets	7	21,976	18,215
		63,577	64,778
Current liabilities			
Accounts payable	8	3,944	3,803
Loans and borrowings		-	25,522
Deferred income	9	88,653	211,499
		92,597	240,824
Net assets			
Accumulated result		(19,847)	1,466
Revaluation reserve		186,253	186,253
		166,406	187,719
Total liabilities and net assets		322,580	493,321

The financial statements were approved on 23 April 2020 by:

Karen Zadoyan

President

Samvel Danielyan

Head of Accounting and Consulting

Services of BDO Armenia CJSC

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 9 to 21.

Statement of activities

In thousand drams	Note	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Income			
Income from grants	10	174,536	117,386
Membership fees		192	152
Other Income		4,023	1,447
Total income		178,751	118,985
Expenses			
Employee benefit expenses		(99,581)	(74,757)
Grant expenses		(77,249)	(5,438)
Depreciation expense		(30,845)	(16,147)
Program service expenses		(1,147)	(1,105)
Utilities and communication expenses		(4,159)	(6,055)
Office expenses		(2,138)	(17,031)
Other expenses		(1,845)	(601)
Net gain/(loss) from exchange differences		11,938	1,006
		(205,026)	(120,128)
Result before income tax		(26,275)	(1,143)
Income tax recovery	11	4,962	-
Result for the year		(21,313)	(1,143)
Other comprehensive income			
Revaluation of property and equipment		-	232,816
Related taxes		-	(46,563)
Total other comprehensive income, net of taxes			186,253
Total comprehensive income/(loss) for the year		(21,313)	185,110

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 9 to 21.

Statement of changes in net assets

In thousand drams	Revaluation reserve	Accumulated result	Total
as of 1 January 2016	-	2,609	2,609
Result for the year (unaudited)	-	(1,143)	(1,143)
Other comprehensive income for the year (unaudited)	186,253	-	186,253
as of 31 December 2016 (unaudited)	186,253	1,466	187,719
Result for the year	-	(21,313)	(21,313)
as of 31 December 2017	186,253	(19,847)	166,406

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 21.

Statement of cash flows

In thousand drams	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Cash flows from operating activities		
Result for the year before income tax	(26,275)	(1,143)
Adjustments for:		
Income from grants	(174,536)	(117,386)
Depreciation and amortization	30,845	16,147
Loss on disposal of property and equipment and intangible assets	1,580	-
Foreign exchange loss/(gain)	(11,938)	(1,006)
Operating result before working capital changes	(180,324)	(103,388)
Change in inventories	(101)	254
Change in accounts receivable	(28,797)	5,885
Change in accounts payable	141	3,373
Cash generated/(used) in operations	(209,081)	(93,876)
Cash received from grants	55,451	309,458
Cash from/(used in) operating activities	(153,630)	215,582
Cash flows from investing activities		
Acquisition of property and equipment, intangible assets	(11,376)	(10,549)
Net cash used in investing activities	(11,376)	(10,549)
Cash flows from financing activities		
Proceeds from/(repayment of) borrowings	(25,522)	20,017
Net cash from/(used in) financing activities	(25,522)	20,017
Net increase/(decrease) in cash and bank balances	(190,528)	225,050
Foreign exchange effect on cash	11,938	1,006
Cash and bank balances at the beginning of the year	240,405	14,349
Cash and bank balances at the end of the year	61,815	240,405

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 9 to 21.

Notes to the financial statements

1 Nature of operations and general information

Armenian Lawyers Association NGO (the “Company”) 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 Colleague of the Ministry 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 Board of RA Ministry of Justice and “Armenian Lawyers Association” non-governmental organization re-registered on 13 December 1999 by 2031 order of the Minister of Justice of the Republic of Armenia.

The activities of the Company 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 Company’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 Company is located at 7 Nalbandyan Street, Yerevan, Republic of Armenia. Number of staff as of 31 December 2017 is 13 employees.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Company operates on a going concern basis.

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs 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 IFRSs, as detailed in the International Accounting Standards Board (“IASB”) *The Conceptual Framework for Financial Reporting.*

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of 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 (“dram”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Armenian drams (unless otherwise stated), 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 IFRSs 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 income 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 are disclosed in note 12 to the financial statements.

2.5 Adoption of new and revised standards

The Company 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 the reporting period.

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 484.10 drams for 1 US dollar and 580.10 drams for 1 euro as of 31 December 2017 (31 December 2016: 483.94 drams for 1 US dollar, 512.20 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates 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.

3.2 Property and equipment

Property and equipment held for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such property and equipment is recognized in other comprehensive income (except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the result, in which case the increase is credited to the result to the extent of the decrease previously charged) and is shown as revaluation reserve in net assets. A decrease in the carrying amount arising on the revaluation of such property and equipment is charged to the result to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The revaluation surplus is transferred to the accumulated result as the asset is used by the Company. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated result.

Other items of 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 result.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the result for the year as incurred.

Depreciation is charged to the result for the year or is added to the cost of other asset 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 years.

3.3 Intangible assets

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

Amortization is charged to the result for the year or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets.

3.4 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.

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, 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 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.

3.5 Inventories

Inventories are assets in the form of materials or supplies to be consumed in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value.

3.6 Financial instruments

Financial assets when they are recognized initially are measured at fair value, less directly attributable transaction costs, subsequently they are measured at amortized cost.

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

3.7 Cash and cash equivalents

Cash and bank balances comprise cash on hand, bank accounts and cash in transit.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

Any result arising from the sale or revaluation of held for sale assets is included in “other income” or “other expense”, respectively, in the result for the year. Any revaluation surplus remaining in the reserves on disposal of the asset is transferred to the accumulated result.

3.8 Reserves

Accumulated result include all current and prior period retained profits as well the revaluation reserve for the property and equipment.

3.9 Grants

Grants are not recognized until there is reasonable assurance that the Company 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 Company 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 Company 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 Company 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 Company, 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.

3.10 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.

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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.11 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before 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;

When employees render services to the Company during the accounting period, the Company 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 Company 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 Company 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 Company has no realistic alternative but to make the payments.

3.12 Income

Income arises mainly from the grants and membership fees. For the accounting policy of income from grants refer to note 3.9. 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

In thousand drams	Buildings and constructions	Machinery, equipment and transportation	Fixture, fittings and others	Total
Cost or valuation				
As of 1 January 2016	43,454	55,568	33,367	132,389
Additions (unaudited)	-	10,549	-	10,549
Disposal (unaudited)	-	(1,896)	(9,702)	(11,598)
Revaluation (unaudited)	674,243	36,292	9,677	720,212
As of 31 December 2016 (unaudited)	717,697	100,513	33,342	851,552
Additions	-	3,800	7,268	11,068
Disposal	-	(7,820)		(7,820)
As of December 31, 2017	717,697	96,493	40,610	854,800
Accumulated depreciation and impairment				
As of 1 January 2016	28,349	47,629	32,598	108,576
Charge for the year (unaudited)	2,205	13,257	685	16,147
Eliminated on disposal (unaudited)	-	(1,896)	(9,702)	(11,598)
Revaluation (unaudited)	481,945	4,801	650	487,396
As of 31 December 2016 (unaudited)	512,499	63,791	24,231	600,521
Charge for the year	10,274	17,026	3,517	30,817
Eliminated on disposal		(6,240)		(6,240)
As of 31 December 2017	522,773	74,577	27,748	625,098
Carrying amount				
As of 31 December 2016 (unaudited)	205,198	36,722	9,111	251,031
As of 31 December 2017	194,924	21,916	12,862	229,702

5 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand drams	2017	2016 (unaudited)
Balance at the beginning of year	46,563	-
Credited to the result for the year (refer to note 11)	(4,962)	-
Charged to other comprehensive income	-	46,563
Balance at the end of year	41,601	46,563

6 Accounts receivable

In thousand drams	As of 31 December 2017	As of 31 December 2016 (unaudited)
Financial assets		
Grant receivables	-	6
Other Receivables	25	1,861
	25	1,867
Non-financial assets		
Advances and prepayments	30,327	-
Receivables from the State budget	316	5
	30,643	5
Trade and other receivables	30,668	1,872

Management believes that the receivables from the State budget are fully recoverable.

Refer to note 14 for the currencies in which the trade and other receivables are denominated.

7 Grants related to assets

In thousand drams	2017	2016 (unaudited)
Balance at the beginning of year	18,215	24,194
Transferred from grants related to income	9,796	10,549
Balance adjustment	-	(10,279)
Income recognized (refer to note 10)	(6,035)	(6,249)
Balance at the end of year	21,976	18,215

All assets of the Company are purchased with grant funds.

8 Accounts payable

In thousand drams	As of 31 December 2017	As of 31 December 2016 (unaudited)
Trade payables	2,162	4
Payables to the State budget	1,752	1,791
Other	30	2,008
	3,944	3,803

Refer to note 14 for more information about the Company’s exposure to foreign currency risk.

9 Deferred income

In thousand drams	2017	2016 (unaudited)
Balance at the beginning of year	211,499	13,448
Received during the year	55,451	309,458
Transferred to grants related to assets	(9,796)	(10,549)
Other movements	-	10,279
Income recognized (refer to note 10)	(168,501)	(111,137)
Balance at the end of year	88,653	211,499

Additions represent contributions accrued from the following organizations:

In thousand drams	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
European Union	34,591	291,603
The President's Staff	-	1,000
Union of Information Technology Enterprises	15,089	6,200
Freedom of information	-	1,588
Organization for Security and Cooperation in Europe	-	8,449
Association for the Integration and Progress of Cultures	1,274	-
Small and Medium Enterprise Cooperation Association	993	-
Union of Communities of Armenia	917	-
Armenian Center for Democratic Education-CIVITAS	1,035	-
Agora CE	901	-
Members of ArmLA	651	618
	55,451	309,458

10 Income from grants

In thousand drams	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Grants related to assets	6,035	6,249
Grants related to income	168,501	111,137
	174,536	117,386

11 Income tax recovery

In thousand drams	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Current tax	-	-
Deferred tax (refer to note 5)	(4,962)	-
	(4,962)	-

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2017	Effective tax rate (%)	Year ended 31 December 2016 (unaudited)	Effective tax rate (%) (unaudited)
Result before taxation (under IFRSs)	(26,275)		(1,143)	
Tax calculated at a tax rate of 20% (2016: 20%)	(5,255)	20.0	(229)	20.0
Non-deductible items, net	293	(1.1)	229	(20.0)
Income tax recovery	(4,962)	18.9	-	-

12 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.

12.1 Critical accounting estimates

The Company 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

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

Grants recognition

As disclosed in note 3.9, grants are not recognized until there is reasonable assurance that the Company 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 Company to completely implement the grant. If management estimates that the Company 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 Company.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in tax environment.

13 Financial instruments

13.1 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 and financial liability are disclosed in note 3.

13.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In thousand drams	As of 31 December 2017	As of 31 December 2016 (unaudited)
Amortized cost (in accordance with IAS 39)		
Trade and other receivables	25	1,867
Cash and cash equivalents	61,815	240,405
Total financial assets	61,840	242,272

Financial liabilities

In thousand drams	As of 31 December 2017	As of 31 December 2016 (unaudited)
Amortized cost		
Trade and other payables	2,192	2,012
Total financial liabilities	2,192	2,012

14 Financial risk management

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

Financial risk factors

a) Market risk

The Company 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 Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise mostly as of 31 December 2016 (unaudited), since as of 31 December 2017 the Company has no significant balances of assets and liabilities denominated in foreign currencies.

Most of the Company's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Company's grants, which are primarily denominated in Euro.

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

Item		
As of 31 December 2017	US dollar	Euro
Financial assets		
Bank balances	-	33
	-	33
Financial liabilities		
Accounts payable	-	-
	-	-
Net position	-	33

Item		
As of 31 December 2016 (unaudited)	US dollar	Euro
Financial assets		
Bank balances	-	232,881
	-	232,881
Financial liabilities		
Accounts payable	15	56
	15	56
Net position	(15)	232,825

The following table details the Company's sensitivity to a 10% (2016: 10%-unaudited) increase and decrease in dram against US dollar. 10% (2016: 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% (2016: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2016: 10%-unaudited) then this would have had the following impact:

In thousand drams	Euro impact	
	2017	2016 (unaudited)
Result	-	23,283
	-	23,283

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

b) Liquidity risk

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

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

15 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15.1 Fair value measurement of non-financial assets

The buildings of the Company are stated at revalued amount. The estimated fair values of the buildings are categorized within Level 2 of the fair value hierarchy. The fair values of those assets are estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Buildings

The fair values of the office buildings are estimated using an income approach which capitalizes the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings were revalued as of 1 January 2017.

16 Contingencies

16.1 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 Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company 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 Company's operations and financial position.

16.2 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. 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 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.

17 Related parties

The Company's related parties include the members of the Board of the Company and its President.

19.2 Transactions with management

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams Transactions	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Salaries and bonuses	32,626	20,340
Borrowings repaid	10,675	-
Borrowings provided	1,533	3,637
	44,834	23,977

In thousand drams Outstanding balances	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Employee benefit obligation	-	-
	-	-