RAIFFEISEN INVEST – SHOQËRI ADMINISTRUESE E FONDEVE TË PENSIONIT DHE SIPËRMARRJEVE TË INVESTIMEVE KOLEKTIVE SH.A.

Financial Statements
as at and for the year ended 31 December 2018

(with independent auditors' report thereon)

Contents

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Independent Auditors' Report

To the Shareholders of Raiffeisen Invest – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a.

Opinion

We have audited the financial statements of Raiffeisen Invest – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 (ISAs). 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 Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with Institute of Authorized Chartered Auditors of Albania Code of Ethics (IEKA Code), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and IEKA Code.

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 of the Company as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2018.

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 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 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 management either intends 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.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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.

Fatos Beqja

Statutory Auditor

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Tirana, Albania

Tirana, 29 March 2019

	Note	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	8	372,247,116	398,953,641
Receivable from the Funds	9	72,681,051	81,509,299
Investment securities at amortised cost	10	5,102,500	20,152,000
Tangible assets	11	10,347,239	11,996,259
Intangible assets	12	7,278,162	6,377,629
Prepayments to employees		327,568	400,609
Income tax prepaid	20	9,260,280	-
TOTAL ASSETS		**477,243,916**	**519,389,437**
LIABILITIES			
Income tax payable	20	-	5,391,342
Other liabilities	13	16,307,446	15,962,073
TOTAL LIABILITIES		**16,307,446**	**21,353,415**
EQUITY			
Share capital	14	90,000,000	90,000,000
General reserve	15	9,000,000	9,000,000
Retained earnings		361,936,470	399,036,022
TOTAL EQUITY		**460,936,470**	**498,036,022**
TOTAL LIABILITIES AND EQUITY		**477,243,916**	**519,389,437**

The notes on pages 5 to 28 are an integral part of these financial statements.

These financial statements were approved by the Management Board of Raiffeisen INVEST – Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive sh.a. on 29 March 2019.

General Administrator	**Deputy General Administrator**
Edlira KONINI	Alketa EMINI

Raiffeisen INVEST Drejtoria e Përgjithshme Tiranë, Shqipëri

	Note	2018	2017
Funds administration income	16	864,192,775	929,812,523
Interest income calculated using the effective interest method	17	1,565,664	1,631,863
Fee from withdrawals		1,619,496	1,151,424
Other income		125,125	1,722,556
		867,503,060	**934,318,366**
Personnel expenses	18	(43,775,141)	(42,138,402)
Depreciation and amortization	11, 12	(4,425,768)	(5,761,904)
General and administrative expenses	19	(562,590,019)	(568,840,168)
Other expenses		-	(228,464)
Operating profit before finance costs		**256,712,132**	**317,349,428**
Net foreign exchange loss		(1,128,723)	(716,888)
Profit before tax		**255,583,409**	**316,632,540**
Income tax expense	20	(102,012,335)	(112,356,779)
Profit for the year		**153,571,074**	**204,275,759**
Other comprehensive income		-	-
Total comprehensive income for the year		**153,571,074**	**204,275,759**

The notes on pages 5 to 28 are an integral part of these financial statements.

	Share Capital	General reserve	Retained earnings	Total
Balance at 1 January 2017	**90,000,000**	**9,000,000**	**194,760,263**	**293,760,263**
Total comprehensive income				
Profit for the year	-	-	204,275,759	**204,275,759**
Other comprehensive income				
Total comprehensive income	-	-	**204,275,759**	**204,275,759**
Contributions and distributions				
Dividends	-	-	-	-
Total contributions and distributions	-	-	-	-
Balance at 31 December 2017	**90,000,000**	**9,000,000**	**399,036,022**	**498,036,022**
Balance at 1 January 2018	**90,000,000**	**9,000,000**	**399,036,022**	**498,036,022**
Total comprehensive income				
Profit for the year	-	-	153,571,074	**153,571,074**
Other comprehensive income			-	-
Total comprehensive income	-	-	**153,571,074**	**153,571,074**
Contributions and distributions				
Dividends	-	-	(190,670,626)	**(190,670,626)**
Total contributions and distributions	-	-	**(190,670,626)**	**(190,670,626)**
Balance at 31 December 2018	**90,000,000**	**9,000,000**	**361,936,470**	**460,936,470**

The notes on pages 5 to 28 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December

(Amounts in Lek)

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		**153,571,074**	**204,275,759**
Adjustments for:			
Depreciation and amortisation	11, 12	4,425,768	5,761,904
Interest income	17	(1,565,664)	(1,631,863)
Income Tax expense	20	102,012,335	112,356,779
		258,443,513	**320,762,579**
Changes in:			
Receivable from the Funds		8,828,248	(7,451,081)
Other assets		73,041	(265,239)
Other liabilities		345,373	(9,782,565)
Cash generated from operating activites		**267,690,175**	**303,263,694**
Interest received		1,615,164	1,631,863
Income tax paid		(116,663,957)	(113,034,793)
Net cash from operating activities		**152,641,382**	**191,860,764**
Cash flows from investing activities			
Acquisition of tangible assets		(1,012,562)	(2,577,143)
Proceeds from sale of tangible assets		-	4,975,294
Acquisition of intangible assets		(2,664,719)	(162,042)
Proceeds from investment securities		15,000,000	-
Net cash from investing activities		**11,322,719**	**2,236,109**
Cash flows from financing activities			
Dividends paid		(190,670,626)	-
Net cash used in financing activities		**(190,670,626)**	-
Net (decrease)/increase in cash and cash equivalents		**(26,706,525)**	**194,096,873**
Cash and cash equivalents at 1 January		**398,953,641**	**204,856,758**
Cash and cash equivalents at 31 December	8	**372,247,116**	**398,953,641**

The notes on pages 5 to 28 are an integral part of these financial statements.

1. Introduction

Raiffeisen INVEST- Shoqëri Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive" sh.a. (the "Company") is an Albanian joint stock company based in Tirana. The Company was registered in the Albanian Commercial Register by Tirana District Court decision No. 33825, dated 18 July 2005. The Company's head office is in Bulevardi "Bajram Curri", ETC, Kati 10-të, Tiranë.

The Company was licensed by the Albanian Financial Supervisory Authority ("AFSA") on 7 July 2005 (License No. 2) to operate as a management company for voluntary pension funds regarding the collection and investment of voluntary pension funds and payment of pension benefits. The Company is also licensed by the Financial Supervisory Authority on 13 December 2011 (License No. 1) to operate as a management company for collective investment undertakings.

The supervision activity of Raiffeisen INVEST sh.a is undertaken by AFSA, in accordance with the law no. 9572, dated July 3rd 2006 "For Financial Supervisory Authority", law no. 10197, dated December 10th 2009 "For voluntary pension funds", law no. 10198, dated December 10th 2009 "On collective investments undertakings".

The Company has an agreement on providing depositary services for the pension fund with First Investment Bank of Albania, headquartered in Blv. "Dëshmorët e Kombit", Twin Tower no 2, Floor 14, Tirana ("Custodian Bank").

The Custodian Bank is licensed by Bank of Albania for providing custody, depositary and fiduciary services (decision no. 13, dated March 10th 2010). The Custodian Bank is also licensed by AFSA for providing depositary services for pension funds (decision no. 80, dated August 30th 2010) and collective investment undertakings (decision no. 1 dated 13.12.2011).

The Company's main activity is:

- to manage voluntary pension funds through collecting and investing funds based on the Law no. 10197, dated 10 December 2009 "On Voluntary Pension Funds", as well as in accordance with the principle of risk diversification, for the purpose of providing retirement benefits for the fund members. The Company may also provide payment of pension benefits;
- to establish and/or manage the Collective Investment Undertakings based on the Law no. 10198, dated 10 December 2009 "On collective investment undertakings",
- to perform other activities as defined in the Law no. 10198, dated 10 December 2009 "On collective Investment undertakings".

The Company acts as a Management Company for the following funds:

- The Defined Contribution Fund "Raiffeisen Voluntary Pension Fund", which was approved by the Albanian Financial Supervisory Authority on 18 October 2010;
- The Investment Fund "Raiffeisen Prestige", which was approved by the Albanian Financial Supervisory Authority on 13 December 2011;
- The Investment Fund "Raiffeisen Vizion", which was approved by the Albanian Financial Supervisory Authority on 30 July 2018;
- The Investment Fund "Raiffeisen Invest Euro", which was approved by the Albanian Financial Supervisory Authority on 26 September 2012.

The Board of Administration is the central body of the Company and consists of 8 members, as follows:

Mrs. Donalda GJORGA	Chairman
Mr. Peter Zilinek	Member
Mrs. Vilma BAÇE	Member
Mrs. Alda SHEHU	Member
Mr. Joan CANAJ	Member
Mrs. Edlira KONINI	Member
Mrs. Alketa EMINI	Member

Administrators:

Mrs. Edlira KONINI	General Administrator
Mrs Alketa EMINI	Deputy General Administrator

2. Basis of accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS').

This is the first set of the Company's annual financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 5.

3. Functional and presentation currency

These financial statements are presented in Albanian Lek ('Lek'), which is the Company's functional currency.

4. Basis of measurement

These financial statements have been prepared on a historical cost basis.

5. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 6(b) – revenue recognition: whether revenue is recognised over time or at a point in time

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes:

- Note 21(i) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 22: recognition and measurement of contingencies: key assumption about the likelihood and magnitude of an outflow of resources;

6. Changes in accounting policies

The Company has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The initially application of these standards did not result in any adjustment, but limited to new disclosure requirements.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 7 to all periods presented in these financial statements.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Company's funds administration income and fees from withdrawals was not impacted by the adoption of IFRS 15.

6. Changes in accounting policies (continued)

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of financial assets in other expenses.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been generally applied to comparative information.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 7(g).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 1 January 2018. There is no effect from the adoption of IFRS 9 on the carrying amounts of financial assets at 1 January 2018.

Amounts in Lek	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Receivable from the Funds	Loans and receivables	Amortised cost	81,509,299	81,509,299
Sovereign debt securities	Held to maturity	Amortised cost	20,152,000	20,152,000
Cash and cash equivalents	Loans and receivables	Amortised cost	398,953,641	398,953,641
Total financial assets			**500,614,940**	**500,614,940**

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 7(g)(vii). For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in an additional allowance for impairment.

6. Changes in accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

7. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

b) Funds administration income

Revenue is measured based on the consideration specified in a contract with customers. The Company recognises revenue when it transfers control over a service to a customer. The percentage rates applied per each of the Funds are defined as follows: Prestige Fund - 1.25% (annually) of net value of assets, Vizion Fund - 1.25% (annually) of net value of assets, Pension Fund – 1.5% (annually) of net value of assets, Euro Investment Fund – 1.5% (annually) of net value of assets.

Nature and timing of satisfaction of performance obligations, including significant payment terms

Funds administration income is recognized on a daily basis as a defined percentage of the Net Assets Value for each of the Funds. Invoices are issued on a monthly basis and are usually payable within 30 days.

Revenue recognition under IFRS 15 (applicable from 1 January 2018)

Revenue is recognised over time as the service is provided. The stage of completion for determining the amount of revenue to recognise is assessed on daily basis.

Funds administration income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company’s activities.

Revenue recognition under IAS 18 (applicable before 1 January 2018)

Funds administration income comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company’s activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company’s activities as described below.

The Company has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in Note 5 (A).

7. Significant accounting policies (continued)

c) Interest

Policy applicable from 1 January 2018

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

— the gross carrying amount of the financial asset; or

— the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount recognized and the maturity amount and for, financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 7(g)(vii).

Presentation

Interest income presented in the statement of profit or loss and OCI includes interest on financial assets measured at amortised cost calculated on an effective interest basis; and

Policy applicable before 1 January 2018

Interest income and expense were recognized in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and OCI included interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

7. Significant accounting policies (continued)

d) Operating expenses

The operating expenses are recognized when incurred.

e) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized in profit or loss as the related service is provided and included in personnel expenses.

(ii) Social, pension and health funds

The Company makes compulsory social security and health contributions in a fund operated by the Albanian state that provide pension, health and other social benefits for employees. Obligations for such contributions are recognized in profit or loss when they are due and included in personnel expenses. The Albanian state provides the legally set minimum threshold for such contributions.

- *Paid annual leave*

The Company recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

- *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

f) Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

7. Significant accounting policies (continued)

g) Financial instruments

(i) Recognition and initial measurement

The Company initially recognises receivables and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Policy applicable from 1 January 2018

Financial assets

On initial recognition, financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Company 's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Policy applicable from 1 January 2018 (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI") (continued)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

— contingent events that would change the amount or timing of cash flows;
— terms that may adjust the contractual coupon rate, including variable-rate features;
— prepayment and extension features; and
— terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Policy applicable before 1 January 2018

Financial assets - Classification, subsequent measurement and gains and losses

The Company classified its financial assets into held to maturity and loans and receivables. See (h) and (i).

Debt securities held to maturity and loans and receivables were measured at amortised cost using the effective interest method

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortised cost and were subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses were recognised in profit or loss. Any gain or loss on derecognition was also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see 7(c)).

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

7. Significant accounting policies (continued)

***g)* Financial instruments (continued)**

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period, during which the change has occurred.

(vii) Impairment

Policy applicable from 1 January 2018

The Company recognises loss allowances for ECLs financial assets measured at amortised cost and measures the loss allowances at an amount equal to lifetime ECLs, except for the investment securities which are measured as 12-month ECL.

The Company considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

See also Note 21(b).

7. Significant accounting policies (continued)

g) Financial instruments (continued)

(vii) Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

At each reporting date the Company assessed whether there was objective evidence that financial assets not carried at fair value through profit or loss were impaired. Financial assets were impaired when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset, and that the loss event had an impact on the future cash flows on the asset that can be estimated reliably.

h) Investments at amortised cost

Policy applicable from 1 January 2018

Investment securities include debt securities measured at amortised cost. See Note 7 (g).

Policy applicable before 1 January 2018

Held-to-maturity investments were assets with fixed or determinable payments and fixed maturity that the Company had the positive intent and ability to hold to maturity. Held-to-maturity investments were carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would have resulted in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

7. Significant accounting policies (continued)

i) Cash and cash equivalents

Cash and cash equivalents include highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

j) Tangible assets

(i) Recognition and measurement

Items of tangible assets are measured at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of tangible assets are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss using the reducing balance method. Annual depreciation rates are as follows:

Office Equipment	20%
IT equipment	25%
Vehicles	20%

l) Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss using the reducing balance method. The annual amortization rate is 25%.

m) Other standards, amendments and interpretations

A number of new Standards, amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted, and have not been early adopted by the Company in preparing these financial statements. Those that may be relevant to the Company are set out below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

The Company plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

7. Significant accounting policies (continued)

m) Other standards, amendments and interpretations (continued)

IFRS 16 Leases (continued)

It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since it will require the Company to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Company acts as a lessee.

The Company will recognise new assets and liabilities for its operating leases of office premises. The nature and expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on the lease liabilities.

Previously, the Company recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognised.

The Company has not yet completed an analysis of the expected quantitative impact of the new Standard. The actual impacts of adopting the standard on 1 January 2019 may change as the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

As at 31 December 2018, the Company's future undiscounted lease payments under the contractual terms of existing operating leases amounted to Lek 16 million.

For the future undiscounted minimum lease payments under non-cancellable operating leases as at 31 December 2018 see Note 22.

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRS 2015-2017 Cycle – various standards;
- Amendments to References to Conceptual Framework in IFRS Standards;

Definition of Material (Amendments to IAS 1 and IAS 8)

8. Cash and cash equivalents

Cash and cash equivalents comprise current accounts held in resident Banks and detailed as follows:

	31 December 2018	31 December 2017
Cash at banks	42,247,116	18,953,641
Deposits maturing within three months	330,000,000	380,000,000
	372,247,116	**398,953,641**

The deposits as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Placement date	4 December 2018	7 December 2017
Maturity date	4 January 2019	5 January 2018
Interest rate	0.1%	0.1%

9. Receivable from the Funds

Receivables from the Funds are related to management fees for December for each of the Funds under management and to penalties applied for early withdrawals from the Voluntary Pension Fund. Receivables are composed as follows:

	31 December 2018	31 December 2017
Raiffeisen Prestige	51,026,163	60,963,932
Raiffeisen Invest Euro	13,499,385	18,754,659
Raiffeisen Vizion	5,749,293	-
Raiffeisen Voluntary Pension Fund	786,714	639,284
Penalties for early withdrawals from the Voluntary Pension Fund	1,619,496	1,151,424
	72,681,051	**81,509,299**

10. Investment securities at amortised cost

	31 December 2018	31 December 2017
Nominal value	5,000,000	20,000,000
Accrued interest	102,500	152,000
	5,102,500	**20,152,000**

Investment securities represent Albanian Government Bonds denominated in Lek, with a maturity of 7 years and coupon rates of 7.38%. Coupon is paid semiannually.

	Nominal value	Accrued interest	Net book value
Government Bonds	5,000,000	102,500	5,102,500
At 31 December 2018	**5,000,000**	**102,500**	**5,102,500**

	Nominal value	Accrued interest	Net book value
Government Bonds	20,000,000	152,000	20,152,000
At 31 December 2017	**20,000,000**	**152,000**	**20,152,000**

Movements in nominal value of financial assets held to maturity are presented below:

	31 December 2018	31 December 2017
At 1 January	20,000,000	20,000,000
Matured during the year	(15,000,000)	-
	5,000,000	**20,000,000**

11. Tangible assets

	Vehicles	Furniture and Electronic equipment	Total
Cost			
At 1 January 2017	**16,941,869**	**13,963,204**	**30,905,073**
Additions	2,504,583	72,560	**2,577,143**
Disposals	(7,404,359)	-	(7,404,359)
At 31 December 2017	**12,042,093**	**14,035,764**	**26,077,857**
Additions	-	1,012,562	**1,012,562**
At 31 December 2018	**12,042,093**	**15,048,326**	**27,090,419**
Accumulated depreciation			
At 1 January 2017	**5,919,588**	**7,096,783**	**13,016,371**
Charge for the year	1,819,444	1,674,848	**3,494,292**
Disposals	(2,429,065)	-	**(2,429,065)**
At 31 December 2017	**5,309,967**	**8,771,631**	**14,081,598**
Charge for the year	1,346,304	1,315,278	**2,661,582**
At 31 December 2018	**6,656,271**	**10,086,909**	**16,743,180**
Carrying amounts			
At 1 January 2017	**11,022,281**	**6,866,421**	**17,888,702**
At 31 December 2017	**6,732,126**	**5,264,133**	**11,996,259**
At 31 December 2018	**5,385,822**	**4,961,417**	**10,347,239**

12. Intangible assets

	Software	Total
Cost		
At 1 January 2017	**22,839,170**	**22,839,170**
Additions	162,042	162,042
At 31 December 2017	**23,001,212**	**23,001,212**
Additions	2,664,719	2,664,719
Disposals	(162,042)	(162,042)
At 31 December 2018	**25,503,889**	**25,503,889**
Accumulated depreciation		
At 1 January 2017	**14,355,971**	**14,355,971**
Charge for the year	2,267,612	2,267,612
At 31 December 2017	**16,623,583**	**16,623,583**
Charge for the year	1,764,186	1,764,186
Disposals	(162,042)	(162,042)
At 31 December 2018	**18,225,727**	**18,225,727**
Carrying amounts		
At 1 January 2017	**8,483,199**	**8,483,199**
At 31 December 2017	**6,377,629**	**6,377,629**
At 31 December 2018	**7,278,162**	**7,278,162**

13. Other liabilities

	31 December 2018	31 December 2017
Due to Custodian Bank	4,835,004	5,230,134
Due to Supervisory Financial Authority	2,808,860	3,063,839
Audit accrued expenses	851,832	1,703,194
Due to state-social insurance	433,768	430,317
Due to state-personal income tax	405,357	394,642
Suppliers	2,296,120	528,900
Accrued bonus	3,649,325	3,700,904
Other	1,027,180	910,143
	16,307,446	**15,962,073**

14. Share capital

At 31 December 2018 and 2017, the registered share capital is Lek 90,000,000 divided into 12,857 shares with a nominal value of Lek 7,000.08. The Shareholder of the Company is Raiffeisen Bank sh.a and ultimate Shareholder is Raiffeisen Bank International AG.

15. General reserve

Based on Law No. 9901, dated 14 April 2008 “On Entrepreunership and Commercial Companies” and in the Company’s Statute, the Company maintains a legal reserve and transfers each year 5% of the net profit realized in the previous financial year until the legal reserves amounts 10% of the Company’s share capital. Due to the fact that the legal reserve has already reached 10% of the share capital, during 2018, the general reserve has remained unchanged.
The use of legal reserve is at the discretion of the shareholders

16. Funds administration income

	2018	2017
Raiffeisen Prestige	652,147,500	708,565,742
Raiffeisen Invest Euro	187,967,804	214,404,428
Raiffeisen Vizion	15,623,853	-
Raiffeisen Voluntary Pension Fund	8,453,618	6,842,353
	864,192,775	**929,812,523**

Funds management income is calculated daily on the basis of Net Assets Value for each of the Funds based on defined percentage rates and detailed respectively as follows:

- Prestige Fund - 1.25% (annually) of net assets value;
- Vizion Fund - 1.25% (annually) of net assets value;
- Pension Fund – 1.5% (annually) of net assets value;
- Euro Investment Fund – 1.5% (annually) of net assets value.

The management income is calculated on a daily basis.

17. Interest income calculated using the effective interest method

Interest income from financial instruments by category is composed as follows:

	2018	2017
Government bonds	1,309,500	1,359,000
Current accounts	256,164	272,863
	1,565,664	**1,631,863**

18. Personnel expenses

	2018	2017
Salaries and Bonuses	39,268,687	37,665,072
Social insurance	3,060,741	2,927,896
Other personnel costs	1,445,713	1,545,434
	43,775,141	**42,138,402**

19. General and administrative expenses

	2018	2017
Other fees for investment funds management	314,971,550	340,533,200
Marketing & Sponsorship	110,563,835	89,504,146
Custodian Bank Expenses	58,211,763	60,897,089
Fee paid to Financial Supervisory Authority	25,773,724	25,149,371
Sales fee	15,255,300	16,081,500
Commisions	13,958,476	7,017,459
Maintenance service	9,641,159	10,163,981
Rent expenses	4,134,289	4,355,900
Taxes	2,502,383	3,422,481
Travel and per diems	487,289	2,297,405
Other staff expenses	340,080	2,312,340
Telephone and internet	245,062	366,871
Insurance	207,609	270,425
Notary and legal expenses	8,600	25,220
Other	6,288,900	6,442,780
	562,590,019	**568,840,168**

Other fees for investment funds management are related to the cooperation agreement between Raiffeisen Invest sh.a and Raiffeisen Bank sh.a, dated January 3, 2013 according to which Raiffeisen Invest sh.a aims to offer its investment funds ‘investors a package of banking services provided by Raiffeisen Bank sh.a and to cover all costs of the services included in the package, through monthly payments. For the year 2018, the price of the services included in the package is 950 ALL/per investor (2017: 950 ALL/investor)

Fee paid to Financial Supervisory Authority is based on Regulation no.18/1, dated 15 February 2010 (revised on October 6, 2011) of the Board of Financial Supervisory Authority pension companies and investment fund companies should pay an annual fee of 0.05% of the value of assets at the end of the month for investment funds and 0.05% of the assets value at the end of the quarter for pension funds) (2017: 0.05% of the value of assets at the end of the month for investment funds and 0.05% of the assets value at the end of the quarter for pension funds).

20. Income tax

The Company determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2018, Albanian corporate tax rate on profit is equal to 15% (2017: 15%) of taxable income. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense:

	Effective tax rate	December 31,2018	Effective tax rate	December 31,2017
Profit before taxes		255,583,409		316,632,540
Income tax at applicable rate	15%	*(38,337,511)*	15%	*(47,494,880)*
Non deductible expenses	24.9%	*(63,674,824)*	20.5%	*(64,861,899)*
Income tax expense	**39.9%**	**(102,012,335)**	**35.5%**	**(112,356,779)**

Included in the tax effect of non deductible expenses there is an amount of Lek 49,534,028 (2017: Lek 51,079,980) which relates to expenses for services provided by RBAL.

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

21. Financial instruments - Fair values and risk management

The effect of initially applying IFRS 9 on the financial instruments is described in Note 5. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

a) Measurement of fair values

The Company has not disclosed the fair values for financial assets and financial liabilities not measured at fair value, because their carrying amount is a reasonable approximation of fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and current accounts with resident Banks. As these balances are short term, their fair value is considered to equate to their carrying amount.

Financial assets at amortised cost

Financial assets at amortised cost include government bonds of Albanian Government. The fair value for these investments has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. Fair value approximates amortrized cost due to floating interest and short term maturity.

b) Financial risk management

The Company is exposed to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Administration has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the financial institution, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes, the Company considers these elements of credit risk exposure (such as individual default risk and sector risk).

The Company's Board of Administration has delegated the responsibility for the management of credit risk to the Management, which is responsible for the oversight of the Company's credit risk. The Company's investments are in treasury bills and bonds of the Government of Albania and therefore the Company is exposed only to Albanian government credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	31 December 2018	31 December 2017
Cash and cash equivalents	372,247,116	398,953,641
Receivable from funds	72,681,051	81,509,299
Financial assets measured at amortised cost	5,102,500	20,152,000
	450,030,667	**500,614,940**

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Exposure to credit risk:

The maximum exposure to credit risk for accounts receivable at the reporting date by type of geographic region was:

	31 December 2018	31 December 2017
Domestic	450,030,667	500,614,940
	450,030,667	**500,614,940**

Credit quality of financial assets is as follows:

	2018 Stage 1	Stage 2	Stage 3	POCI	Total	2017 Total
Albanian Government B+	5,102,500	-	-	-	5,102,500	20,152,000
Cash and cash equivalents, unrated	372,247,116	-	-	-	372,247,116	398,953,641
Loss allowance	-	-	-	-	-	-
Carrying amount	**377,349,616**	**-**	**-**	**-**	**377,349,616**	**419,105,641**

Investment securities

The credit risk of the portfolio of investment securities is assessed based on historical data and assessment of the ability of the Albanian Government to meet its contractual cash flows obligations in domestic currency in the near term.

The Albanian Government is rated as B+, stable, based on the credit rating of Standard & Poor's and B1, stable, based on the credit rating of Moody`s.

Cash and cash equivalents

The cash and cash equivalents are held with commercial banks in Albania. The Company applies a 12-month expected loss basis and reflects the short maturities of the exposures in assessing the impairment on cash and cash equivalents.

On initial application of IFRS 9, due to exposures short maturities the Company has not recognised an impairment allowance as at 1 January 2018 and the amount of the allowance did not change during 2018.

Receivable from the Funds

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast increase in average gross salaries for Albania (2.01%).

The following table provides information about the aging, exposure to credit risk and ECLs as at 31 December 2018 and 2017:

31 December 18 In Lek	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Not pas due	0%	72,681,051	-	No
		72,681,051	**-**	
31 December 17				
Not pas due	0%	81,509,299	-	No
		81,509,299	**-**	

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 7(g)(vii).

Significant increase in credit risk

When determining whether the risk of default of the invested amount on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit risk specialists assessment and including forward-looking information.
The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

For exposures toward Albanian government the credit risk is considered to be increased significantly since initial recognition if there is delay of 30 days or more in the repayment of an obligation to the Company.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

Definition of default

The Company considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the counterparty is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a counterparty is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new one at fair value in accordance with the accounting policy set out in Note 7(g)(v).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

21. Financial instruments - Fair values and risk management (continued)

b) Financial risk management (continued)

(i) Credit risk (continued)

Measurement of ECL

Receivable from the Funds

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics.

Cash and cash equivalents

The cash and cash equivalents are held with commercial banks in Albania. The Company applies a 12-month expected loss basis and reflects the short maturities of the exposures in assessing the impairment on cash and cash equivalents. On initial application of IFRS 9, due to exposures short maturities the Company has not recognised an impairment allowance as at 1 January 2018 and the amount of the allowance did not change during 2018.

Investment securities

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated based on internally and externally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default and is estimated based on parameters calculated by rating agencies.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. EAD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance.

As at 31 December 2018 and 31 December 2017, the Company had no credit-impaired financial assets.

21. Financial instruments - Fair values and risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and severe conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following table shows the discounted cash flows on the Company's financial assets and liabilities on the basis of their earliest possible contractual maturity or expected cash flow, as the effect of discounting is considered not material.

31 December 2018	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	372,247,116	-	-	-	-	**372,247,116**
Receivable from funds	72,681,051	-	-	-	-	**72,681,051**
Investment securities	-	-	-	-	5,102,500	**5,102,500**
Total	**444,928,167**	-	-	-	**5,102,500**	**450,030,667**
Liabilities						
Other liabilities	7,982,956	-	-		-	**7,982,956**
Total	**7,982,956**	-	-	-	-	**7,982,956**
Liquidity risk	**436,945,211**	-	-	-	**5,102,500**	**442,047,711**
Cumulative	**436,945,211**	**436,945,211**	**436,945,211**	**436,945,211**	**442,047,711**	

31 December 2017	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Assets						
Cash and cash equivalents	398,953,641	-	-	-	-	**398,953,641**
Receivable from funds	81,509,300	-	-	-	-	**81,509,300**
Investment securities	-	-	-	15,049,500	5,102,500	**20,152,000**
Total	**480,462,941**	-	-	**15,049,500**	**5,102,500**	**500,614,941**
Liabilities						
Other liabilities	7,462,228	-	-	-	-	**7,462,228**
Total	**7,462,228**	-	-	-	-	**7,462,228**
Liquidity risk	**473,000,713**	-	-	**15,049,500**	**5,102,500**	**493,152,713**
Cumulative	**473,000,713**	**473,000,713**	**473,000,713**	**488,050,213**	**493,152,713**	

21. Financial instruments - Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's incomes or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Exposure to interest rate risk

The principal risk to which trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates (Assets and Liabilities Net Present Value Gaps). Interest rate risk is managed principally through monitoring interest rate gaps.

Interest bearing financial assets as of 31 December 2018 and 31 December 2017 is presented below:

	2018	2017
Fixed-rate financial assets		
Investment securities	5,102,500	20,152,000
Deposit	330,000,000	380,000,000
Total	**335,102,500**	**400,152,000**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. A change of 100 basis points in interest rates wouldn't have increased or decreased equity.

Exposure to foreign exchange risk

The Company is not significantly exposed to currency risk as the transactions in foreign currencies are not frequent. Currency risk is managed through using assets/liabilities matching. Almost all financial assets and liabilities of the Company as of 31 December 2018 and 2017 were denominated in domestic currency. The applicable official Company rates (Lek to the foreign currency unit) for the principal currencies as at 31 December 2018 and 2017 were as below:

	31 December 2018		31 December 2017	
	Period end	*Average*	*Period end*	*Average*
United States dollar (USD)	107.82	108.01	110.10	119.05
European Union currency unit (EUR)	123.42	127.58	132.95	134.13

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour excluding reputation and strategic risk.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses through control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Administration. This responsibility is supported by the development of overall Company's standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including the independent authorisation of transactions
- reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- periodic assessment of operational risks faced, adequacy of controls and related procedures
- reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

22. Contingencies and commitments

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimations and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

	2018	2017
Less than one year	1,001,998	1,079,368
Between one and five years	-	-
More than five years	-	-
	1,001,998	**1,079,368**

22. Related parties

The Company has a related party relationship with the parent company Raiffeisen Bank sh.a. As of and for the year ending 31 December 2018 and 2017 the Company has entered the following transactions and balances with related parties:

Towards Raiffeisen Bank sh.a.

	31 December 2018	31 December 2017
Statement of financial position		
Cash and cash equivalents (Note 8)	367,296,162	396,155,922
Total	**367,296,162**	**396,155,922**
Statement of Profit or Loss and other comprehensive income		
Income	**2018**	**2017**
Expenses from transactions	133,132	176,935
Total	**133,132**	**176,935**
Expenses (Note 19)		
Other fees for investment funds management	314,971,550	340,533,200
Sales fee	15,255,300	16,081,500
Total	**330,226,850**	**356,614,700**
Dividends distributed and paid	190,670,626	-

- **Towards Funds**

	31 December 2018	31 December 2017
Statement of financial position		
Receivable from the Funds (Note 9)	72,681,051	81,509,299
Total	**72,681,051**	**81,509,299**
Statement of Profit or Loss and other comprehensive income		
Income (Note 16)	**2018**	**2017**
Funds administration income	864,192,775	929,812,523
Total	**864,192,775**	**929,812,523**
Key managements compensation	17,963,166	15,752,941
Total	**17,963,166**	**15,752,941**

23. Events after the reporting period

There are no other significant events after the reporting date that may require adjustment or disclosure in the financial statements.