

# ANNUAL REPORT

# 2020





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# MESSAGE

## CHAIRMAN OF THE SUPERVISORY BOARD



*The extended COVID-19 pandemic evidenced to us all how vulnerable and intertwined the economies are in the context of globalization. Despite the immediate deteriorating impacts on business and health of citizens, the mitigation measures imposed by the governments of different countries to cope with the consequences of the pandemic were quite imperative for the protection of health and life.*

*The high fears and uncertainties accompanying the COVID-19 pandemic during 2020 forced us all to comply with prolonged lockdowns and restrictive measures, thus transforming all the optimistic forecasts for economic development. The banking and non-banking financial markets suffered a similar situation.*

*To better respond to the unprecedented situation caused by the earthquake and pandemic, the Albanian Securities Exchange (ALSE) pursued with sustained efforts to turn these consequences into opportunities, by adapting to the new normal, focused in two basic directions: on one hand the going concern of the daily trading activity, as well as on the other hand, aiming at further improvement of the regulatory acts to guarantee the best possible management of the institutional activity.*

*Due to the intrinsic financial difficulties of business entities, the performance of ALSE during 2020 was far below expectations, marking a significant decline in its core business, the securities trading. Nevertheless, the ongoing imposed measures of the Albanian Government to address the consequences of the pandemic and the earthquake, and furthermore, the results of mass vaccination for the population, anticipate a recovery and revitalization of the economy and business, which will undoubtedly take time to convert into a new added volume of work for the stock exchange.*

*On the other hand, in the framework of the approximation of the country's legislation to the Acquis Communautaire, the adoption of some framework laws for the financial industry, including amendments to the regulatory securities trading infrastructure for business securities and monetary values, represent significant indicators that 2021 and in the future, we will encounter new developments in the securities trading sector, issued by the Albanian commercial enterprises.*

*In conclusion, I would like to convey my optimism that the exigency for a strong economic recovery and the anticipated developments in the economy and business environment will be closely related to the need for the development and consolidation of capital markets, thus the Albanian Securities Exchange (will continue with its preparation to successfully cope with these challenges.*

**Prof. Dr. Hysen ÇELA**  
**Chairman**  
**Supervisory Board**





## CHIEF EXECUTIVE OFFICER



*The year 2020 marks one of the most endeavouring years in the history of mankind. The spread of the COVID-19 pandemic has rapidly become the worst human and economic crisis of our lifetime worldwide, thus giving rise to unprecedented uncertainty, at least during the last century. The economy of our country, which had not yet recovered from the two earthquakes of the previous year, was likewise impacted by the deteriorating strike of the COVID-19 pandemic.*

*The climate of uncertainty, especially under the effect of the total lockdown imposed by the Albanian Government during the March - June period, together with all the measures recommended by the World Health Organization and other scientific organizations, had its significant effects in the financial markets, including both banking and non-banking.*

*The main securities market indicators in Albania and ALSE indicators as well marked a significant decline in trading volumes and values, closing this unusual financial year with a trade value of roughly **ALL 1.6 billion**, equivalent to around **EUR 13 million**. Nevertheless, the Albanian Securities Exchange undertook strong measures, both in terms of the management of the uncommon situation, by showing timely and successful action for the protection and safety of the health of our staff, as well as in terms of the going concern of financial services and market viability, by providing customer liquidity at all times.*

*Beyond being an abnormal and remarkably difficult year in terms of financial perspective, 2020 marked a tangible revolution as regards the improvement of the national legal framework regulating the financial industry, with the Albanian Parliament adopting 4 of the most important laws covering the capital markets, investment and pension funds, payment systems as well as the blockchain industry. The improvement of the legal framework is carried out in the perspective of the approximation and harmonization of the Albanian legal framework with the European Union directives. This is expected to generate positive outcomes regarding the development of the domestic securities industry over the next decade.*

*Last but not least, during this year, together with Albanian Register of Securities (ALREG), the Albanian Securities Exchange (ALSE) integrated and tested the entire infrastructure that, within a closed cycle, enables the "Trading-Clearing-Settlement" process for business securities and cash arm in the AIPS system, managed by the Bank of Albania, therefore paving the way for the listing of securities issued by the Albanian corporations.*

**Artan GJERGJI**  
**Chief Executive Officer**







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## ABOUT ELSE - ALBANIAN SECURITIES EXCHANGE

### SHAREHOLDERS



### SUPERVISORY BOARD



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MEMBER



**Prof. Dr. HYSEN ÇELA**  
CHAIRMAN



**BRIKENA HOXHA**  
DEPUTY CHAIRMAN



**INES MUÇOSTEPA**  
MEMBER



**AIDA LALA**  
MEMBER





## OBJECTIVES FOR 2021

- ALSE's main objective is to become an important stakeholder within the securities industry, in compliance with the best practices of the developed markets.
- Completing trading and post-trading infrastructure for non-government securities issued in ALSE, aiming to enable a safe process, which guarantees the integrity of the domestic securities market.
- Listing of securities issued by the first private and/or state corporations.
- Aligning the ALSE regulatory framework with the new legislation of the capital markets and the directives of the European Union.
- Establishing a secondary liquid market for the existing corporate bonds and for the new ones to be issued.
- Managing the post-COVID situation and creating of new opportunities for a market as possible flexible and close to the public.
- Attracting financial intermediaries (brokerage firms, banks or non-bank institutions) to a regulated and organized market, with a view to provide a discount window that will enable high transparency in transactions' execution.
- Extending cooperation to higher education institutions in the country, aiming at awareness raising and getting familiar with the securities industry and capital market in the country.
- Financial education to the wide public on capital markets and the functioning of the stock exchange and market stakeholders.
- Enhancing media cooperation, as an important stakeholder in financial education and financial inclusion to enable public awareness raising on the capital market and investment alternatives.





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# ALSE ACTIVITIES DURING 2020

## MEMBERSHIP

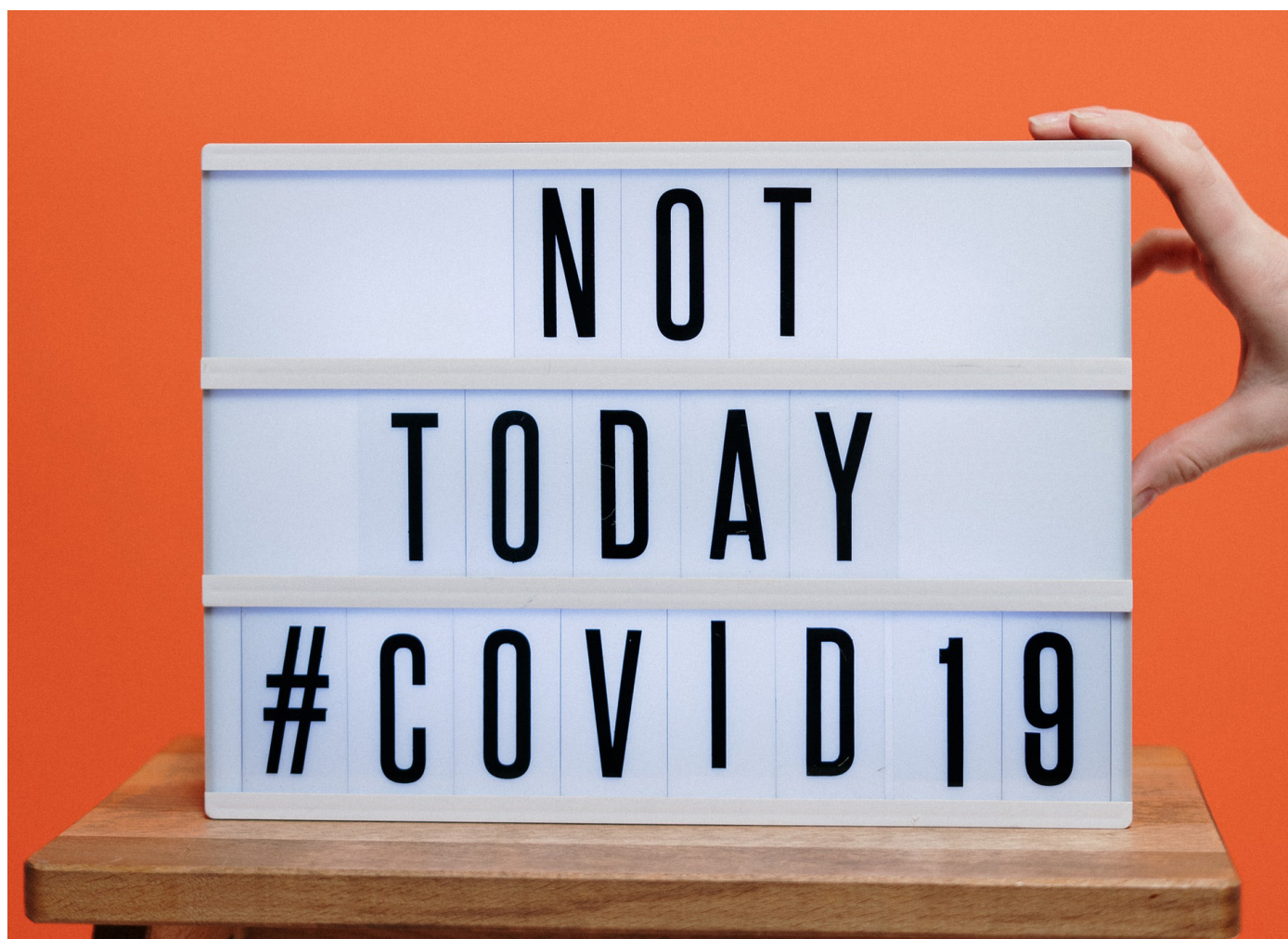
### Membership of the Brokerage Firms

During 2020, three banks providing brokerage/investment services reconfirmed their membership to continue their activity in the securities sector in the Republic of Albania: Credins Bank, American Bank of Investments and Intesa Sanpaolo Bank together with a non-bank brokerage firm "Triumf Grup".

Pursuant to the Decision no. 167, dated 23.10.2020 of the Albanian Financial Supervisory Authority for the revocation of the license of the Brokerage Firm "Triumf Grup", the ALSE Supervisory Board issued the Decision no. 46, dated 29.10.2020 to remove the membership of this brokerage firm, as well as to deprive the said holder of the right to exercise the activity as a Broker in ALSE.

The removal of such Membership led the membership to be reduced in to 3 (three) Members of the Albanian Securities Exchange.

In the meantime, 2020 marked an increasing interest among entities, banks and brokerage firms to receive detailed information on the process of trading and post-trading of non-government securities to be potentially listed on ALSE. During this period, the Albanian Securities Exchange carried out a series of meetings and video conferences with the market stakeholders (mainly banks) to provide them with detailed information on the whole complex process of Trading-Clearing-Settlement of securities traded on ALSE.





## LISTING

### Government Bonds traded through ALSE

The Albanian Securities Exchange continued with the listing in the main market, through its electronic trading system, of the government bonds issued by the Ministry of Finance and Economy in the primary market.

Government bonds are listed on Albanian Securities Exchange (ALSE) on the same day the auction organized by the Bank of Albania in the primary market ends, enabling thus the immediate execution of transactions via ALSE members in the secondary market.

In the meantime, considerable work has been performed in collaboration with the Albanian Financial Supervisory Authority to facilitate the admission procedures for trading in the ALSE market segments for securities previously issued via private placement. Acceptance for trading of such securities is expected to provide a higher level of liquidity to investors, as well as to enhance the level of transparency in financial markets.

### Meeting with Business Entities potential to be listed

Besides the extremely difficult circumstances due to the SARS-Cov-2 (COVID-19), the Albanian Securities Exchange (ALSE) continued to hold meetings with business entities potential to be listed on the stock exchange. Retaining to the social distancing pursuant to pandemic protocols, generated difficulties in directly establishing contacts with the business community, however B2B meetings were replaced by remote online meetings via video conferencing and other forms of online communication.

The contact and meetings organized with these business entities were carried out after the financial and legal analysis conducted by the Albanian Securities Exchange for each specific business entity, taking into account the fulfilment of the listing criteria as defined in the ALSE regulatory framework. These qualitative and quantitative criteria mainly focus on their capital size and financial performance of the last 3 years.

Business entities which ALSE held meetings with mainly operate in various sectors, such as:

- Financial Sector (banks and non-banks),
- Manufacturing (food, drinks, water),
- Constructions (infrastructure and residential constructions),
- Energy production and distribution,

Over the next year, we expect these corporations to issue various bonds and equities for the first time.





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## MARKET ANALYSIS AND STATISTICS

On a general perspective, during 2020, the trading value executed through ALSE amounted to ALL 1.599 million, i.e. approximately EUR 12.95 million, with a volume of more than 32,047 securities units traded and a total number of 100 transactions.

Based on a comprehensive analysis concerning ALSE trading features for 2020, it is clearly indicated that the prevailing transactions were:

- Transactions for Clients, with a dominance by institutional clients;
- Off-Exchange Transactions,
- Transactions in T-Bonds,
- Transactions on securities denominated in Albanian LEK

During 2020, there is a significant decrease in the value of transactions performed, as a result of various factors, such as:

- Decrease of interest rates in Government Securities during 2020;
- The decline in trading performed by legal entities (funds), since, with the decrease of interest rates, the latter were not active in reshaping their portfolio;
- The impact caused by COVID-19 pandemic situation in the domestic financial markets, due to the operational limitations in carrying out transactions;
- Lack of confidence among investors on the sustainable performance of financial markets.

More specifically, ALSE progress has been considered against the following four approaches:

### By Transaction Type

The majority of transactions executed pertain to the retail market, i.e. bank-customer or customer-customer transactions, compared to inter-bank transactions (interbank market).

Transactions for clients executed through ALSE are dominant in the market value (99.4% of the total), trading volume in securities units (98.5% of the total) and the volume of the traded transactions (91% of the total). Furthermore, as a result of the COVID-19 pandemic, the number of retail transactions executed in the secondary market has increased (78% of the total number of transactions), still the institutional clients dominate (mainly pension and investment funds) in the volume of securities traded (about 72.5% of the total), as well as in the traded value with about 74.7% of the total transactions executed on the Albanian Securities Exchange.

**Table 1: Trading through ALSE by transaction type (January – December 2020)**

| Type of Transaction | January - December 2020 |               |                      |
|---------------------|-------------------------|---------------|----------------------|
|                     | No. of Trades           | Traded Volume | Traded Value (all)   |
| <b>Interbank</b>    | <b>9</b>                | <b>491</b>    | <b>8,895,030</b>     |
| <b>for Clients</b>  | <b>91</b>               | <b>31,556</b> | <b>1,589,941,150</b> |
| <b>TOTAL</b>        | <b>100</b>              | <b>32,047</b> | <b>1,598,836,180</b> |



### By Security Type

The majority of executed transactions are those in Treasury Bonds (T-Bonds), compared to Treasury Bills (T-Bills) transactions. The volume of traded T-Bills dominates (57.6% of the total), whereas the value traded on T-Bonds dominates (88.5% of the total). Moreover, considering the number of transactions, the number in T-Bonds is higher (62% of the total).

**Table 2: Trading through ALSE by transaction type (January – December 2020)**

| Type of Securities | January - December 2020 |               |                      |
|--------------------|-------------------------|---------------|----------------------|
|                    | No. of Trades           | Traded Volume | Traded Value (all)   |
| <b>T-Bills</b>     | <b>38</b>               | <b>18,468</b> | <b>183,454,853</b>   |
| <b>T-Bons</b>      | <b>62</b>               | <b>13,579</b> | <b>1,415,381,327</b> |
| <b>TOTAL</b>       | <b>100</b>              | <b>32,047</b> | <b>1,598,836,180</b> |

### By Trading Hours

The majority of transactions is executed Off-Exchange trading hours, compared to the ones executed On-Exchange. Transactions executed Off-Exchange dominate in terms of market value (71.7% of the total), the volume of securities traded (76.5% of the total) and the number of transactions executed (72% of the total). The Off-Exchange transactions dominance during 2020 indicates one of the negative effects caused by the COVID-19 pandemic in the securities industry. One of the main reasons that gave rise to this phenomenon is the change during the lockdown regime of total quarantine in March-April of the processing schedules for the transactions cleared-settled by AFISaR, the central depository system of Albanian Government securities, managed by Bank of Albania. Moreover, the restrictions on the economic and social life, due to the protocols of social distancing, conditioned by the pandemic situation, limited both investors and financial intermediaries (mainly banks) to carry out On-Exchange transactions.

Transactions executed during official trading hours (On-Exchange) are transactions of a much higher level of transparency and any data in respect is easily accessible by the investors.

**Table 3: Trading through ALSE by trading hours (January - December 2020)**

| Trading Sessions          | January - December 2020 |               |                      |
|---------------------------|-------------------------|---------------|----------------------|
|                           | No. of Trades           | Traded Volume | Traded Value (all)   |
| <b>On-Exchange</b>        | <b>28</b>               | <b>7,529</b>  | <b>452,273,590</b>   |
| <b>OTC (Off-Exchange)</b> | <b>72</b>               | <b>24,518</b> | <b>1,146,562,590</b> |
| <b>TOTAL</b>              | <b>100</b>              | <b>32,047</b> | <b>1,598,836,180</b> |







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# ALBANIAN SECURITIES EXCHANGE ELSE SHA

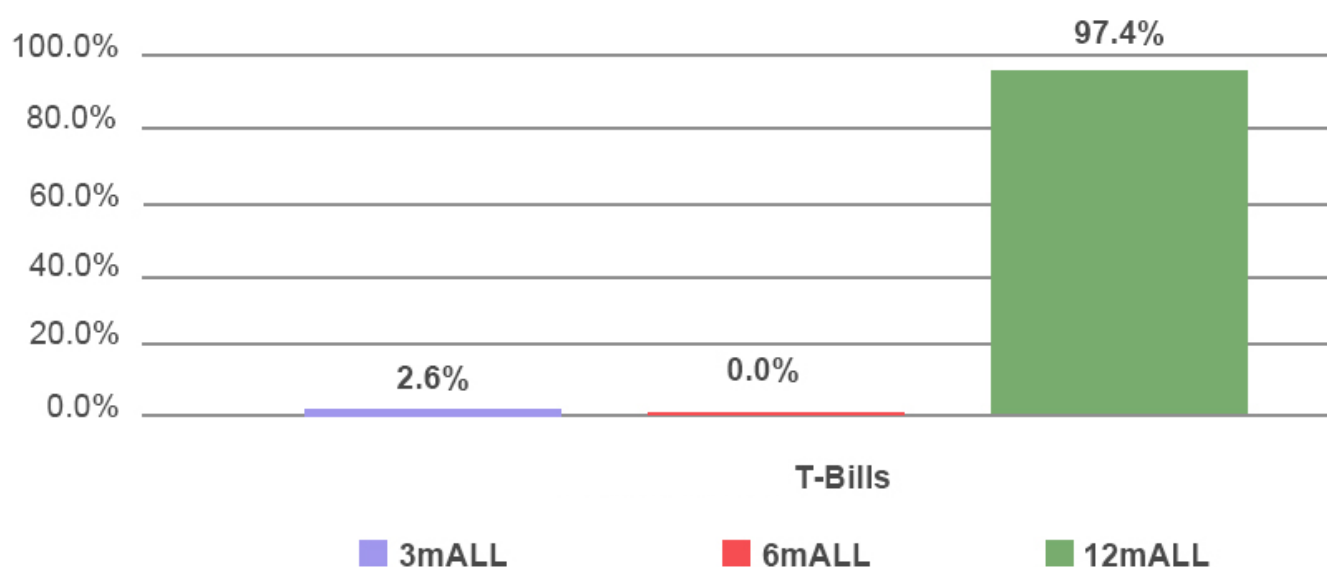
## By Terms of Maturity

From the term-to-maturity point of view, the most active traded T-Bills are those with a **12-month** maturity, accounting for 97.4% of the transactions volume and 95.9% of the volume and traded value proceeded by the **3-months** maturity term, while transactions at the **6-month T-Bills** are missing.



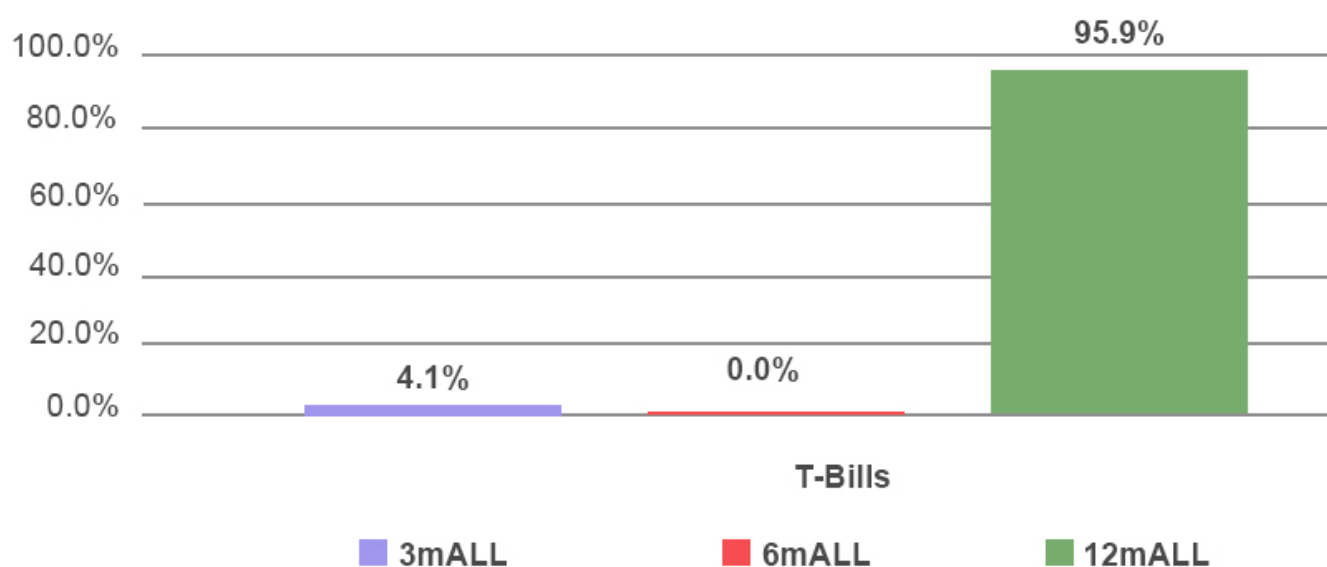
## No. of Trades January - December 2020

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## Volume of Trades January - December 2020

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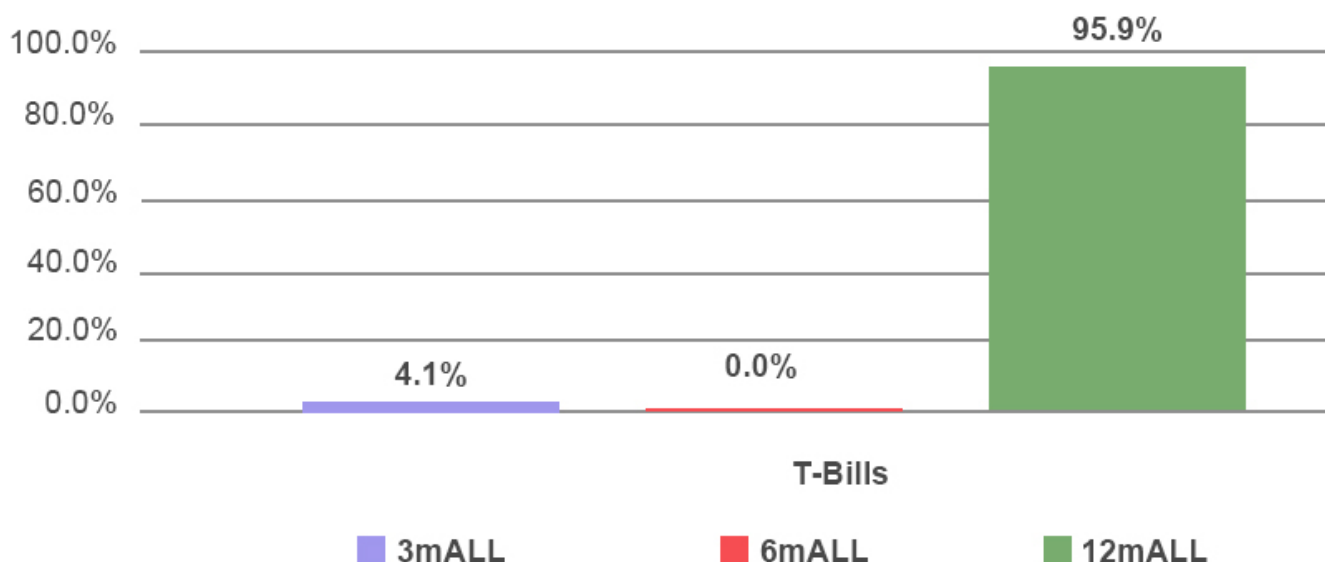


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## Value of Trades January - December 2020

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From the term-to-maturity point of view, the most active T-Bonds are those with a 5-year maturity, accounting for 21% of the transactions number, 25.6% of the volume and 25% of the traded value, respectively. These are followed by 10 and 7-year maturity T-Bonds. 3-year maturity term securities proved to be less traded during 2020.

The novelty noticed in the secondary security market is the increase in trading volume and values of long-term instruments (more than 65% at 5, 7 and 10-year maturity terms). The factors that impacted in this regard consist in the advantages generated due to the public debt management policy adopted by the Albanian Government, through the issuance of these instruments over the years. This strategy was expected to give rise to an increase in the number of transactions in the secondary market by retail clients, that due to the need for liquidity would use the stock exchange, or other forms of the secondary market (retail market).

Furthermore, another factor that influenced the increase in volumes and values of transactions in the secondary market, especially from institutional investors, is the decrease in interest rates, due to a lower need of Government for funds within the domestic market. The context incentivized professional investors, such as: pension and investment funds, to make a more efficient redistribution of Assets Under Management (AUM), by being more active in the secondary securities market on the Albanian Securities Exchange (ALSE).





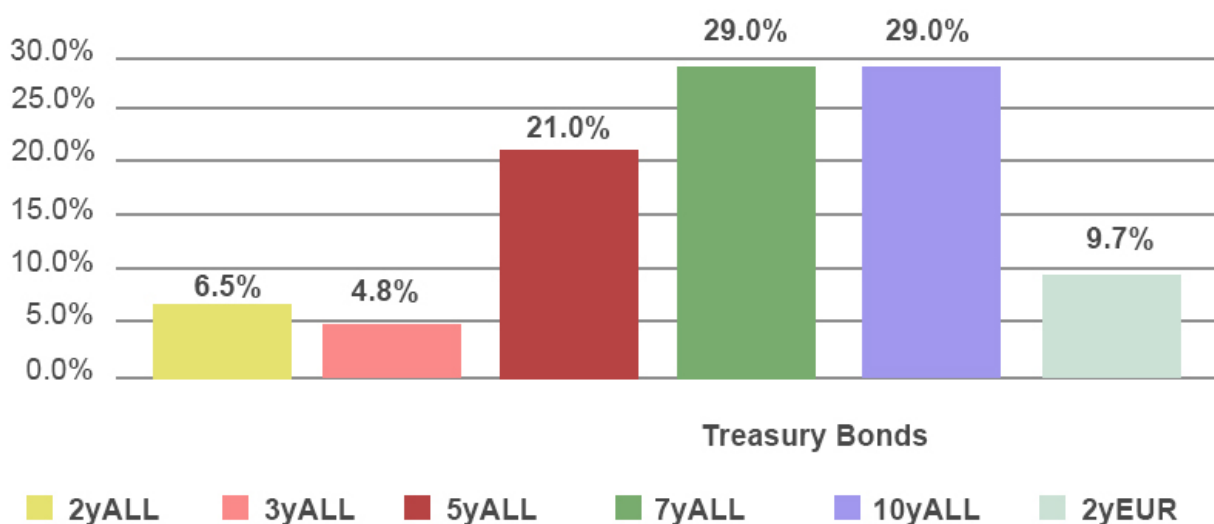
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# ALBANIAN SECURITIES EXCHANGE ELSE SHA



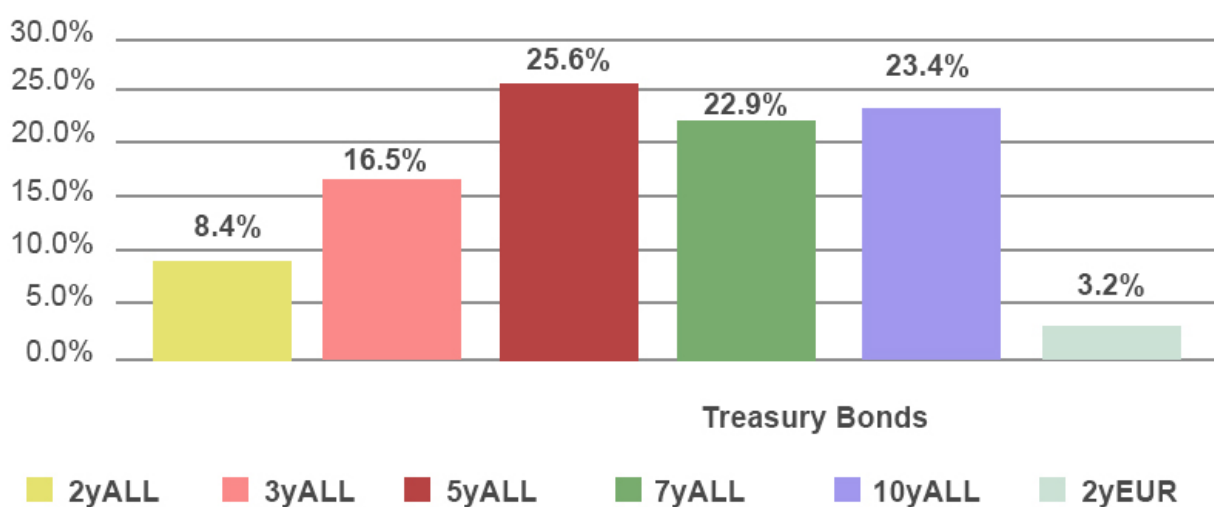
## Number of Trades January - December 2020

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## Volume of Trades January - December 2020

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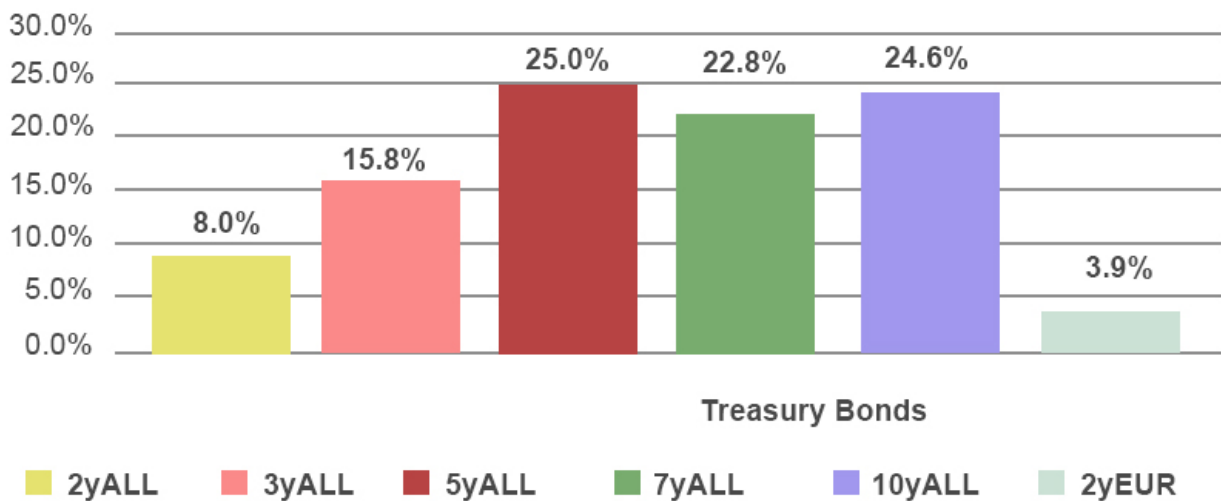


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## Value of Trades January - December 2020

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### By Currency

The majority of transactions are executed in securities nominated in Albanian Lek (ALL), accounting to 96.58% in terms of traded value, 98.64% in terms of trading volume and 94% in terms of number of transactions, compared to transactions in securities nominated in EUR. This is due to the high costs that money transfers in EUR currently have from one bank to another in the domestic market.

**Table 4: Trading through ALSE in EURO (January - December 2020)**

| Trading Sessions | January - December 2020 |               |                    |
|------------------|-------------------------|---------------|--------------------|
|                  | No. of Trades           | Traded Volume | Traded Value (all) |
| Interbank        | 0                       | 0             | 0                  |
| for Clients      | 6                       | 437           | 54,630,939         |
| <b>TOTAL</b>     | <b>6</b>                | <b>437</b>    | <b>54,630,939</b>  |





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## MONITORING AND SUPERVISION

Albanian Securities Exchange has continued to show special prudence in terms of monitoring and supervising market operators, aiming to increase the market integrity and investor's confidence.

Unable to proceed with the on-site inspections of its respective Members, due to the pandemic situation, ALSE demonstrated the due diligence in terms of monitoring the behaviour of Members, and moreover the progress of trading at all stages: "trading-clearing-settlement".

## LEGAL AND REGULATORY FRAMEWORK

Even during 2020, the Albanian Securities Exchange (ALSE) dedicated maximum efforts to the technical process of improving the legal and regulatory framework of the securities market, closely cooperating with the Albanian Financial Supervisory Authority and other market stakeholders.

### Legal Framework – in line with EU Directives

Furthermore, beyond the development of financial markets in Albania, 2020 marked an outstanding and remarkable milestone towards improving the legal and regulatory framework covering these markets, especially in the last decade, since Albania has significantly progressed in the trajectory of integration into the European Union and Euro-Atlantic structures. Part of the negotiation process, the criteria for the alignment of the domestic legislation with the *Acquis Communautaire* had a tremendous impact in this regard. Special merit for this process is dedicated to foreign donors, who efficiently engaged in the coordination and the distribution of funds to priority sectors, thus increasing the efficiency in making use of these funds.

Definitely, this year represents a successful milestone in terms of a revolution to the legal framework in the financial system. Due to the strong support provided to this sector by EU and World Bank funds through the Swiss State Secretariat for Economic Affairs (SECO), the Albanian Parliament adopted 4 laws of immense importance covering the financial markets (capital market sector, investment funds, the payment system and the Distributed Ledger Technology (DLT) sector, or as known otherwise, the "Blockchain Technology").

These laws were drafted and prepared by the Bank of Albania and the Albanian Financial Supervisory Authority (AFSA), in cooperation with the Ministry of Finance and Economy and with the assistance of the World Bank experts. However, as far as the legislation that directly affects the securities industry is concerned, in 2020 the Parliament of the Republic of Albania adopted the Law No. 62/2020 "On Capital Markets" and Law No. 56/2020 "On Collective Investment Undertakings". These laws further strengthen the AFSA supervisory framework, as well as aid to modernize and advance the Albanian capital market.

- **Law No. 62/2020 "On Capital Markets"** aligns the legal framework with EU Directives as regards capital markets (MIFID II, Market Abuse Directive, Directive on Prospectus, etc.) and aims to promote further development of the capital market, increase transparency and ensure market integrity. The new law entails a positive spirit mainly in terms of:
  - Providing a common umbrella of the comprehensive legal framework for the capital market.
  - Alignment of the legal framework with EU Directives covering the financial industry.
  - Determining the role and activity of some markets and financial intermediaries.
  - First-time introduction of some new concepts and institutions in the financial markets such as: central securities depository, credit risk assessment agencies.
  - Standardization of "fit and proper" criteria for key officials in the governing bodies of institutions operating in the capital market.





## ALBANIAN SECURITIES EXCHANGE ALSE SHA

- **Law No. 56/2020 “On Collective Investment Undertakings”** adapts the legal framework pursuant to the UCITS and AIFMD directives, or other EU directives. The implementation of this Law is expected to drive a new impetus to the further development of collective schemes market. As well, it takes into account a more effective supervision and higher standards for a transparent and orderly market. The Law introduces:
  - further approximation and alignment of legislation with the relevant European Directives;
  - making the fund sector more attractive to market participants and investors, therefore establishing a more appropriate environment for their better protection;
  - creating a wider range of suitable funds based on different risk levels for the Albanian and European markets;
  - mobilizing more savings in capital markets and economy;
  - a classification of investors based on professionalism, market and investment know-how, and providing them with a wider range of choices.

### ALSE Improved Regulations and Guidelines

The ALSE regulatory framework has also undergone a series of amendments to reflect the changes that arose as a result of the entry into force of the new Law no. 62/2020 “On the Capital Markets”. These amendments mainly focused on:

- promotion of ALSE Membership, by reducing some of the items on the fees and commissions list;
- several improvements, by providing more details and clarifications, especially in terms of procedures and responsibilities;
- establishment of a body acting independently from the other decision-making bodies of the entity, known as the “Disciplinary Committee”.

The passed regulatory framework amendments during 2020 are as follows:

- Approval of the amendments to the Albanian Securities Exchange Regulation.
- Approval of amendments to ALSE Fees and Commissions, as annexed to the ALSE Regulation.
- Approval of the Instruction “On ALSE Transactions Trading, Clearing and Settlement”.





Gjithçka rreth ekonomisë në

# KOHË REALE

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## COOPERATION WITH INTEREST GROUPS

### INSTITUTIONAL RELATIONS

#### Participation in the Hearing Session of the Parliamentary Committee on Economy

ALSE participated in the hearing session of the Parliamentary Committee on Economy, which focused on the new Law "On Capital Markets". Along with other market stakeholders, owing to several years of expertise, as well as thanks to the assistance and experience of its foreign capital market consultants in the region, ALSE has effectively influenced the improvement and alignment of the law, not only in line with EU Directives, but also taking into account the internal market throughout the drafting process. Law 62/2020 "On Capital Markets" was adopted by the Parliament on 14.05.2020.

#### Cooperation with the Regional Cooperation Council (RCC)

Albanian Securities Exchange (ALSE) is part of the network of all 6 Western Balkan Countries (WB6) established by the Regional Cooperation Council (RCC), focused on the development of priority sectors, including the development of the capital markets in these countries. RCC is the EU body in charge for the coordination of all donor funds for the development of economies within WB6.

Both meetings organized during 2020 elaborated on the strategies being drafted by the World Bank, in cooperation with the RCC, aiming to promote financial markets, crediting, micro-finance, financial technology (FinTech), and the capital markets in the region.

#### Meeting with the Working Group "On Drafting the Capital Market Strategy"

The Ministry of Finance and Economy, in cooperation with the Albanian Financial Supervisory Authority, established a working group, led by these two institutions, with the aim to kick-off the work on drafting the Capital Market Strategy. Among other capital market operators, the Albanian Securities Exchange (ALSE) represents a strong supportive stakeholder for this working group.

During the meeting, ALSE focused on the elaboration of several legal and fiscal incentives used by countries in the region to promote capital markets, aiming to succeed with the implementation of any relevant incentive in our country. All proposals on the challenges faced by the capital market development were submitted in writing to the working group, therefore contributing to the drafting of such strategy, whereas a significant part of them were included in the final draft of this strategic paper.

#### Establishment of Clearing and Settlement Infrastructure for Corporate Securities

Upon receipt of the license issued from the Albanian Financial Supervisory Authority and the Bank of Albania, as an institution responsible for the registration, clearing and settlement of securities issued by corporations, the Albanian Securities Register ALREG is currently ready to become viable.

During the last quarter of 2020, the Albanian Securities Exchange, in cooperation with ALREG, resumed a second phase of testing between the ALSE electronic exchange system and the ALREG system. The performed tests reconfirmed the viability and smooth operation of the automatic integration between the two systems. The successful completion of the tests was finalized with the signature of tests records (Acceptance Test 2).

As a final stage of this process to enable a full trading and post-trading cycle for both securities and cash, the full membership of ALREG in the large values payment system administered by the Bank of Albania (AIPS-Albanian Interbank Payment System) is expected.



## Other Activities

- As an active stakeholder of the Albanian Network for Financial Education (ANFE), even during this year, the Albanian Securities Exchange continued to support activities and projects organized by members of the network.
- In November 2020, ALSE was invited to participate in an online event entitled: "Microfinance in the New Reality: Facing the Storm", organized by the Albanian Microfinance Association. This event focused on current issues of the domestic microfinance sector, the challenges encountered and expected in the future, as well as the opportunities to successfully overcome these challenges. Representatives of the Albanian Securities Exchange in this event focused on introducing the opportunities and potential provided by the capital market for local micro-finance institutions, which should consider the listing on the ALSE stock exchange, as a way to raise funds through the issuance of debt securities.

The extensive experience in the development of the securities industry in Albania has demonstrated that the elite part of micro-finance institutions in the country have used the capital market as a mean to increase funds, through private placements. Furthermore, experience has also shown that, due to limitations in the number of investors, the private placements of securities does not generate large amounts of capital. Consequently, the participants in this virtual meeting were recommended to explore the public offer of their securities, as a tool that provides space and opportunities for generating funds in large values to finance their activity.







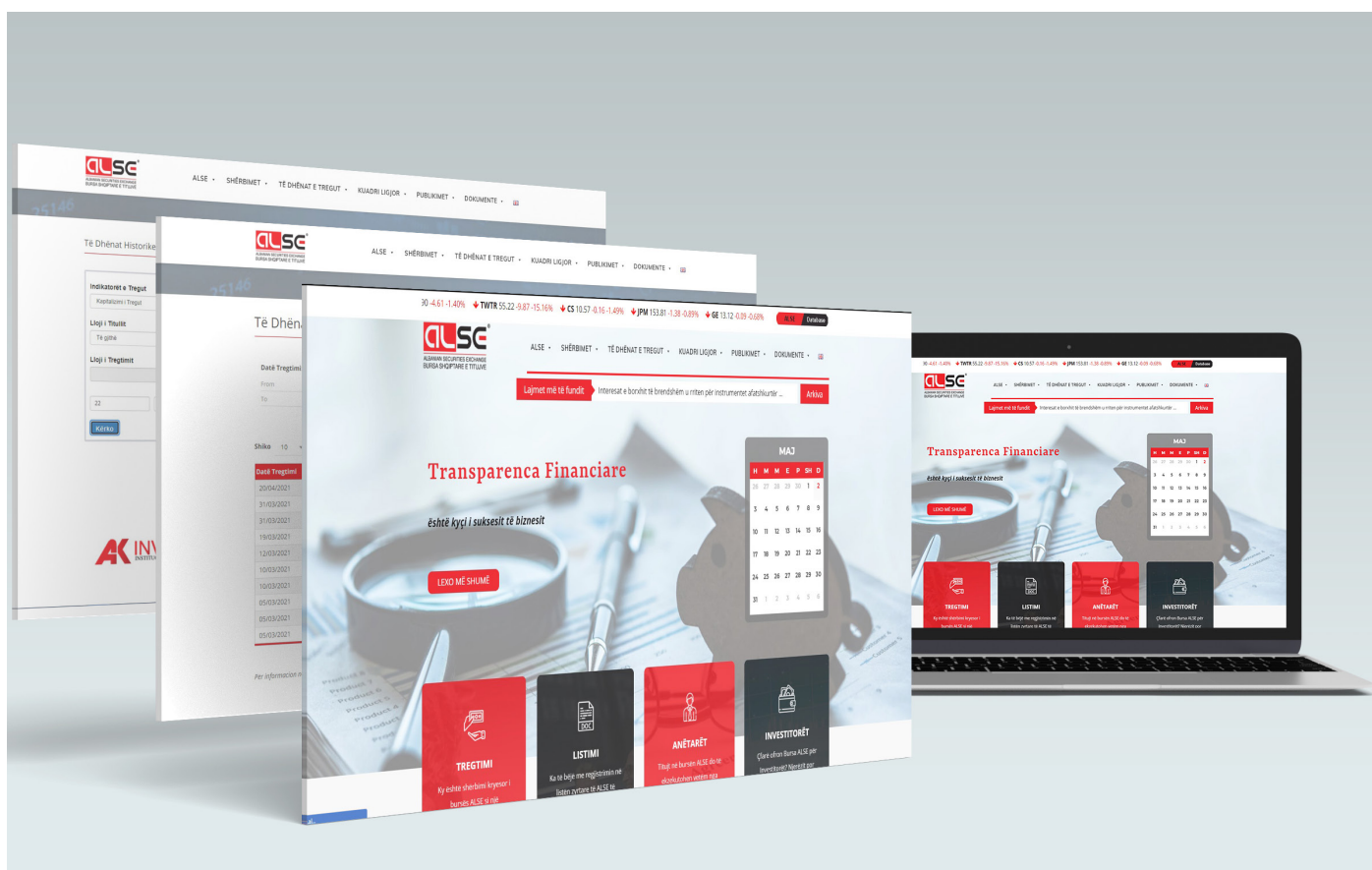
## FINANCIAL EDUCATION

### Public Education

- ALSE, in cooperation with the Association for Life Insurance, Pensions and Investment Funds (SH.SJ.P.FI) dedicated a special section on its official website to an electronic platform, where the public will find centralized information on key data regarding pension funds and investment funds. On a daily basis, this Platform displays the unit prices, net asset values and risk profiles of each respective pension and investment fund licensed in Albania.
- The Albanian Securities Exchange and Junior Achievement of Albania, a non-profit organization supported by the Albanian-American Development Fund (AADF), successfully completed the launch of ten animated educational videos, aimed at raising the public's financial literacy, including all age groups, regarding financial services and the securities industry. These videos aim at introducing the public to the functioning of the stock exchange, the financial instruments as well as to the capital markets in general.
- The videos are easily accessible on the ALSE official website, on its official YouTube channel, and on social media profiles as well.
- During 2020, ALSE continued to pay great attention to the financial education of the public, especially to the young generation, through online lectures delivered to bachelor and master programmes of economics faculties in several higher education institutions, which it has entered into cooperation agreements with.

### Launching of ALSE official website

The Albanian Securities Exchange has completed the transfer of all relevant information to the new official website. This new website was designed to be more easily accessible (user-friendly) dedicated to citizens, investors and other stakeholders.



## Management of the COVID-19 Pandemic Situation

Given the unprecedented situation caused by the COVID-19 pandemic, ALSE, in the same line with the implementation of Government decisions and orders, during the period March-April 2020 undertook the following actions:

- Change of the on-exchange hours on official trading days, as a result of measures undertaken to restrict movement of population in the country and change of the operating hours by the Government central securities depository (AFISaR), a system managed by the Bank of Albania.
- Work performed remotely by ALSE staff, without needing to be physically present in the office so as to prevent the spread of COVID-19 and to take care of the health of employees.
- Strict application of the instructions of the Ministry of Health and Social Welfare, as well as the Institute of Public Health as regards the hygienic-sanitary protection measures, by providing the staff all the necessary means for disinfection of their workplace, masks and social distancing in the work place.

ALSE succeeded to manage in the best way possible the entire situation emerging from the COVID-19 pandemic, without ever affecting the conduct of securities trading sessions and daily affairs.



Financial Statements and Independent Auditor's Report

**ALBANIAN SECURITIES EXCHANGE ALSE sh.a.**

As at and for the year ended on 31 December 2020





## EXTERNAL AUDIT



## Independent Auditor's Report

To the Shareholders of Albanian Securities Exchange ALSE sh.a

Grant Thornton Sh.p.k.  
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**Opinion**

We have audited the financial statements of Albanian Securities Exchange ALSE sh.a (hereafter referred as the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis of 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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.

**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.



# ALBANIAN SECURITIES EXCHANGE ELSE SHA

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.

**Grant Thornton sh.p.k.**

**10 April 2021**  
**Tirana, Albania**

*Kledian Koda, FCA*  
*[Signature]*




# FINANCIAL STATEMENTS

## Statement of Financial Position

| ASSETS                               | Notes | 31 December 2020  | 31 December 2019  |
|--------------------------------------|-------|-------------------|-------------------|
| <b>Current assets</b>                |       |                   |                   |
| Cash and cash equivalents            | 7     | 18,682,365        | 31,865,940        |
| Trade and other receivables          | 8     | 133,482           | 399,667           |
| Prepayments and other receivables    | 9     | 131,212           | 130,173           |
| <b>Total current assets</b>          |       | <b>18,947,059</b> | <b>32,395,780</b> |
| <b>Non-current assets</b>            |       |                   |                   |
| Property, plant and equipment        | 10    | 13,329,401        | 15,034,001        |
| Intangible assets                    | 11    | 4,827,147         | 7,919,511         |
| <b>Total non-current assets</b>      |       | <b>18,156,548</b> | <b>22,953,512</b> |
| <b>Total Assets</b>                  |       | <b>37,103,607</b> | <b>55,349,292</b> |
| <b>Liabilities and Equity</b>        |       |                   |                   |
| <b>Current liabilities</b>           |       |                   |                   |
| Trade and other payables             | 12    | 356,920           | 2,219,662         |
| Lease Liabilities                    | 13    | 890,418           | 825,604           |
| <b>Total current liabilities</b>     |       | <b>1,247,338</b>  | <b>3,045,266</b>  |
| <b>Non-current liabilities</b>       |       |                   |                   |
| Lease Liabilities                    | 13    | 9,412,978         | 10,142,640        |
| <b>Total non-current liabilities</b> |       | <b>9,412,978</b>  | <b>10,142,640</b> |
| <b>Total Liabilities</b>             |       | <b>10,660,316</b> | <b>13,187,906</b> |
| <b>Equity</b>                        |       |                   |                   |
| Subscribed capital                   | 13    | 85,000,000        | 85,000,000        |
| Accumulated Losses                   |       | (42,838,614)      | (27,001,649)      |
| Loss for the year                    |       | (15,718,095)      | (15,836,965)      |
| <b>Total Equity</b>                  |       | <b>26,443,291</b> | <b>42,161,386</b> |
| <b>Total Liabilities and Equity</b>  |       | <b>37,103,607</b> | <b>55,349,292</b> |

Financial statements are approved by Albanian Securities Exchange ALSE sh.a. at 10 April 2021 and signed on their behalf:

Artan Gjergji  
Administrator



Kazazi Consulting shpk



The statement of financial position should be read together with the explanatory notes on pages 5-31 which are an integral part to these financial statements.



## Statement of Profit or Loss and Other Comprehensive Income Amounts in Lekë

|  | Notes  | 31 December<br>2020 | 31 December<br>2019 |
|--|--------|---------------------|---------------------|
| <b>Revenues</b>                                |        |                     |                     |
| Operating income, net                          | 15     | 2,007,069           | 1,548,870           |
| Other income                                   | 15     | 102,946             | 1,604,370           |
| <b>Total revenues</b>                          |        | <b>2,110,015</b>    | <b>3,153,240</b>    |
| <b>Expenses</b>                                |        |                     |                     |
| Personnel expenses                             | 16     | (7,488,858)         | (7,005,119)         |
| Administrative expenses                        | 17     | (4,625,139)         | (5,343,834)         |
| Amortization and depreciation                  | 10, 11 | (4,796,963)         | (6,162,350)         |
| <b>Total expenses</b>                          |        | <b>(16,910,960)</b> | <b>(18,511,303)</b> |
| <b>Operating loss</b>                          |        | <b>(14,800,945)</b> | <b>(15,358,063)</b> |
| Financial Expenses/(income), net               | 18     | (701,442)           | (1,179,810)         |
| Profit/(loss) from exchange                    | 19     | (215,707)           | 700,908             |
| <b>Total financial expenses/(income)</b>       |        | <b>(917,149)</b>    | <b>(478,902)</b>    |
| <b>Loss before tax</b>                         |        | <b>(15,718,094)</b> | <b>(15,836,965)</b> |
| Income tax expense                             | 20     | -                   | -                   |
| <b>Net loss for the year</b>                   |        | <b>(15,718,094)</b> | <b>(15,836,965)</b> |
| Other comprehensive income                     |        | -                   | -                   |
| <b>Total comprehensive income for the year</b> |        | <b>(15,718,094)</b> | <b>(15,836,965)</b> |

The Statement of Profit or Loss and Other Comprehensive Income should be read together with the explanatory notes on pages 34-57 which are an integral part to these financial statements.



|                                | Share capital     | Accumulated losses  | Loss for the year   | Total             |
|--------------------------------|-------------------|---------------------|---------------------|-------------------|
| <b>As at 1 January 2019</b>    | <b>50,000,000</b> | <b>(12,471,233)</b> | <b>(14,530,416)</b> | <b>22,998,351</b> |
| Increase in capital            | 35,000,000        | -                   | -                   | 35,000,000        |
| Transfer to accumulated losses | -                 | (14,530,416)        | 14,530,416          | -                 |
| Loss for the year              | -                 | -                   | (15,836,965)        | (15,836,965)      |
| <b>As at 31 December 2019</b>  | <b>85,000,000</b> | <b>(27,001,649)</b> | <b>(15,836,965)</b> | <b>42,161,386</b> |
| Transfer to accumulated losses | -                 | (15,836,965)        | 15,836,964          | -                 |
| Loss for the year              | -                 | -                   | (15,718,094)        | (15,718,094)      |
| <b>As at 31 December 2020</b>  | <b>85,000,000</b> | <b>(42,838,614)</b> | <b>(15,718,095)</b> | <b>26,443,292</b> |

The Statement of Changes in Equity should be read together with the explanatory notes on pages 34-57 which are an integral part to these financial statements.



## Statement of cash flows

Notes 31 December 2020 31 December 2019

### Cash flows from operating activities

|                                       |        |              |              |
|---------------------------------------|--------|--------------|--------------|
| Loss before tax                       |        | (15,718,095) | (15,836,965) |
| Adjustments for:                      |        |              |              |
| Depreciation and amortization expense | 10, 11 | 4,796,963    | (7,121,780)  |
| Interest income                       | 18     | 701,442      | 1,179,809    |
|                                       |        | (10,219,690) | (21,778,936) |

### Changes in working capital:

|  |    |              |              |
|--|----|--------------|--------------|
| Increase in prepayments                          | 9  | (1,039)      | (26,863)     |
| Increase in other assets                         | 8  | 266,185      | (55,673)     |
| (Decrease)/ increase in Trade and other payables | 10 | (2,527,590)  | 8,478,632    |
|  |    | (12,482,133) | (13,382,840) |

|                     |    |   |             |
|---------------------|----|---|-------------|
| Receivable interest | 18 | - | (1,179,809) |
|---------------------|----|---|-------------|

|   |  |                  |                     |
|---|--|------------------|---------------------|
| <b>Cash flows from operating activities</b> |  | <b>(701,442)</b> | <b>(14,562,649)</b> |
|---|--|------------------|---------------------|

### Cash flows from financing activities

|                     |    |   |            |
|---------------------|----|---|------------|
| Increase in capital | 14 | - | 35,000,000 |
|---------------------|----|---|------------|

|   |  |          |                   |
|---|--|----------|-------------------|
| <b>Cash flows from financing activities</b> |  | <b>-</b> | <b>35,000,000</b> |
|---|--|----------|-------------------|

|   |  |                     |                   |
|---|--|---------------------|-------------------|
| <b>Net Increase/(decrease) in cash and cash equivalents</b> |  | <b>(13,183,575)</b> | <b>20,437,351</b> |
|---|--|---------------------|-------------------|

|   |  |                   |                   |
|---|--|-------------------|-------------------|
| <b>Beginning balance of cash and cash equivalents</b> |  | <b>31,865,940</b> | <b>11,428,589</b> |
|---|--|-------------------|-------------------|

|   |  |                   |                   |
|---|--|-------------------|-------------------|
| <b>Closing balance of cash and cash equivalents</b> |  | <b>18,682,365</b> | <b>31,865,940</b> |
|---|--|-------------------|-------------------|

The Statement of Cash Flows should be read alongside the notes on pages 34 to 57, which are an integral part to these financial statements





## Notes to the financial statements

### 1. General information

The Company "Albanian Securities Exchange ALSE" sh.a. (hereinafter "Company") was registered with the National Registration Center on 28 July 2017 and at the Tirana Regional Tax Directorate with INUI L71928011S.

The activity of the Company is regulated in accordance with the relevant provisions of Law 9901, dated 14 April 2008, "On Traders and Companies", by the article of establishment and its statute as well as by the laws and regulations as follows:

- Law no. 9879, dated 21.02.2008 "On Securities"
- Law no. 10 158, dated 15.10.2009 "On corporate and local government bonds"
- AMF regulation no. 120, dated 02.10.2008 "On the licensing and supervision of the securities exchange".

The main scope of the Company's activities is "to carry out the activity of the securities exchange for all types of securities and other financial instruments, as provided for under "Law on Securities and pursuant to the license given by AFSA, with the exception of the derivative instruments provided by Chapter II of Law on Securities. "The Company Shareholders are Credins Bank, American Investment Bank and AK-Invest.

As at 31 December 2020, they owned 45.59%, 45.59% and 8.82% of the share capital of the Company, respectively.

The administrator of the Company is Mr. Artan Gjergji. The members of the Supervisory Board of the Company on 31 December 2020 are:

1. Hysen Çela
2. Aida Naska
3. Ines Muçostepa
4. Brikena Hoxha
5. Elvin Meka

The head office of the Company is situated on "Nikolla Tupe" Street, No. 1, Floor 3, Ap.3, Tirana. The number of employees of the Company as at 31 December 2020 is 5 (2019: 5).

### 2. Basis of preparation

#### 2.1 Statement of compliance

The financial statements (hereinafter referred to as "financial statements") are prepared in accordance with the requirements of financial reporting and legislation in Albania.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) 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. Below are the main accounting policies applied in the preparation of these financial statements.

Details of the Company's accounting policies are set out in Note 4

#### 2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis in addition to available-for-sale financial assets, which are stated at fair value.

The financial statements have been prepared on a historical cost basis. The Company has considered the impact of Covid-19 in preparing their financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas due to the evolving nature of the pandemic and the limited recent experience of the economic and financial impacts of such an event. Also, significant changes to estimates needed to be made in the measurement of entities' assets and liabilities.



# ALBANIAN SECURITIES EXCHANGE ALSE SHA

## 2.3 Presentation and functional currency

These financial statements are presented in the Albanian currency "Lekë", which is the functional currency as a result of the economic environment where it operates, and all values are rounded in Lek, except where it is expressed differently.

## 2.4 Going Concern

The Company has prepared the financial statements on a going concern basis which means that the Company will continue its business for the foreseeable future for at least 12 months from the reporting date. Uncertainties regarding the going concern principle are set out in note 5.

## 3. Changes in accounting policies

### 3.1 New standards and interpretations adopted

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

Standards and amendments that are effective for the first time in 2020 (for an entity with a 31 December 2020 year-end) and could be applicable to the Company are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16).

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

### 3.2 New standards and interpretations not yet effective

Standards and amendments that are not yet effective and have not been adopted early by the Company include.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.



#### 4. Summary of significant accounting policies

The main accounting policies used in the preparation of financial statements are presented below. These policies have been consistently applied by the Company throughout the period presented in these financial statements.

##### 4.1 Transaction in foreign currency

###### a) Presenting and functional currency

The functional currency is the currency of the main economic environment where the Company operates. The financial statements are presented in LEK, which is the functional currency and presentation of the Company.

###### b) Transactions and balance on foreign exchange

Transactions in foreign currency are converted into functional currency using the exchange rate on the date of the transaction. Exchanges from exchange are known as profit or loss in the comprehensive statement of income in the period in which they occur.

At the end of each reporting period, foreign currency coins are revalued at the reporting date. Non-monetary assets held at fair value are recorded in foreign currency and revalued at the exchange rate when the fair value is determined. Non-monetary instruments measured at historical cost in foreign currency are not revalued.

The exchange rates used to prepare financial statements for major currencies as at 31 December 2020 are as follows:

The official bank exchange rates applied according to the Bank of Albania (LEK against the foreign currency unit) for the main currencies on 31 December 2020 and 31 December 2019 were as follows:

|     | 31 December 2020 | 31 December 2019 |
|-----|------------------|------------------|
| EUR | 123.70           | 121.77           |
| USD | 100.84           | 108.64           |

##### 4.2 Recognition of revenue

Revenues are measured by the fair value of money received or receivable from the Company for the goods given, excluding sales taxes, rabats, and trade discounts. The Company applies the revenue recognition criteria set out below to each particular component of the sales transaction in order to reflect the essence of the transaction.

- 1- Recognition of the contract with customers
- 2- Identification of the contract performance obligations
- 3- Determining the transaction price
- 4- Distribution of transaction price according to performance obligations
- 5- Recognition of income in case the performance obligations of the contract are fulfilled.

Revenues from these transactions are allocated to specific identified components taking into account the fair value of each component. Income is recognized either at a time or during a time when (or how) the Company fulfills performance obligations by transferring the promised goods or services to its customers.

The Company recognizes contractual obligations for the amounts collected in connection with unfulfilled performance obligations and reports amounts such as other obligations in the statement of financial position. Similarly, if the Company fulfills a performance obligation before collecting, the Company recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the time of the previous transfer is required.





# ALBANIAN SECURITIES EXCHANGE ELSE SHA

## 4.3 Intangible assets

The intangible assets purchased by the Company are measured at cost value by deducting accumulated amortization and accumulated impairment losses. Subsequent costs of intangible assets are capitalized only when they increase future economic benefits from the specific assets with which they are associated. All other expenses are incurred at the time they occur.

Depreciation is recognized in the statement of comprehensive income, based on the methods and rates presented below:

|                         | Method         | 2020 | 2019 |
|-------------------------|----------------|------|------|
| Computer programs       | Residual value | 25%  | 25%  |
| Other intangible assets | Straight-line  | 25%  | 25%  |

## 4.4 Property, plant and equipment

### i) Recognition and measurement

The items of property, plant and equipment assets are presented at a cost minus the accumulated depreciation and losses accumulated from the decrease in value. Costs include expenses that are directly related to the purchase of the asset. The cost of the assets built by the Company itself includes the cost of materials and labor, as well as any other costs directly related to the placement of the asset in the country and the necessary conditions for it to be usable in the intended way by management. The purchase of software, which is essential to the operation of the respective equipment, is capitalized as part of the equipment. Various items of property, plant and equipment, which have different terms of use, are accounted for as separate items of assets, plant and equipment.

### Subsequent costs

The cost of replacing a part of an item of property plant and equipment is recognized at the carrying amount of the element if it is possible that future economic benefits attributed to that element will flow to the Company and its cost can be measured reliably. The daily service costs of property plant and equipment are recognized in the comprehensive statement of income at the time they occur.

### ii) Amortization/depreciation

Depreciation is recognized in the comprehensive statement of income with the residual value method. Leased assets depreciate for the smallest between the lease period and the useful life.

The annual depreciation rate is as follows:

|                                | 2020 | 2019 |
|--------------------------------|------|------|
| Reconstruction and building    | 5%   | 5%   |
| Furniture and office equipment | 20%  | 20%  |
| IT equipment                   | 15%  | 25%  |

Land and construction in the process are not depreciated. Depreciation methods, useful life and residual value are reviewed on each reporting date and adjusted if appropriate. The accounting value of an asset is spent immediately up to the recoverable amount, if the carrying amount of the asset is greater than the estimated recoverable amount.

Profits and losses arising from the impairment of property plant and equipment are defined as the difference between the income from the sale and the carrying amount of the asset and are recognized in the profit or loss of the financial period.

## 4.5 Right of use assets

The Company, as the lessee for any new contracts entered into after or after 01 January 2019, considers whether it is a contract, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for payment". To implement this definition, the Company assesses whether the contract meets the three main criteria, which are:



- the contract contains an identified asset, which is either clearly defined in the contract or clearly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to fully secure all economic benefits from the use of the asset identified throughout the period of use, taking into account its rights to the specific purpose of the contract.
- the Company has the right to determine the use of the identified asset throughout the period of use. The Company assesses whether it has the right to determine 'how and for what purpose' the asset is used throughout the period of use.

### **Measurement and recognition of leases as a lessee**

On the date of commencement of the lease, the Company recognizes an asset of the right of use and a lease liability in the financial statements. Assets of the right of use are measured at cost, which consists of the initial measurement of the lease obligation, any direct initial costs incurred by the Company, an estimate of each cost of dismantling and removing the asset at the end of the lease, and any payment of lease made before the start date of the lease (net of each incentive received).

The Company impairs the assets of the right of use on a direct basis from the date of commencement of the lease until the end of the useful life of the active right of use or expiration of the lease term. The Company also assesses the right to use for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the current value of unpaid lease payments on that date, deducting and using the interest rate implied in the lease if this rate is readily available or the Company's increasing borrowing rate.

Lease payments included in the measurement of lease liability consist of fixed payments (including fixed substance), variable payments based on an index or rate, amounts expected to be paid under a guarantee of residual value, and payments arising from options. reasonably determined to exercise.

After the initial measurement, the liability will decrease for payments made and will increase for interest. It is reassessed to reflect any reassessment or modification, or if there are changes in fixed payments on the substance.

When the lease obligation has been revalued, the relevant regulation is reflected in the asset right of use or the gain and loss if the asset right asset has already been reduced to zero.

The Company has chosen to account for short-term leases using practical expeditions. Instead of recognizing an active right to use and lease liability, payments related to these are recognized as expenses in profit or loss on a direct basis during the lease term.

In the statements of the Financial Position, the rights to use assets are included in the Property Plant and Equipment, while the liabilities from the lease contracts are included in trade and other payables.

### **The Company as a lessee**

Financial leases that accidentally transfer risk and benefits to the Company are capitalized as leases with the fair value of the leased property, or if it is less than the actual value of the minimum lease payments. Lease payments are splitted between financial payments and reduction of lease liability, to reach a constant level of interest in the remaining surplus liability. Financial payments are recognized as financial costs in the statement of income and expenses. A leased asset is depreciated over its useful life. However, since the Company does not have a security that will own the property at the end of the lease term, the asset will be depreciated for a period shorter than its useful life. Operating lease payments are known as operating expenses in the linear income statement over the duration of the lease.



## Leasee deposit

Liabilities for the deposit of tenants are initially recognized at fair value and then at amortized cost when there is material value. Any difference between the fair initial value and the nominal value is included as a component of the lease income and is recognized linearly throughout the terms of the lease.

## 4.6 Financial Instruments

### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and measurement of financial asset

Except for those trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised Cost,
- Fair value through other comprehensive income (FVOCI) and,
- Fair value through profit or loss (FVTPL).

The Company actually has only financial assets classified at amortised cost.

The classification of financial assets in the initial recognition depends on:

- characteristics of the contractual cash flows of the financial asset and
- from the business model of the Company for their management.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

### Financial assets with amortized cost

The Company measures the financial assets at amortized cost if both of the following conditions are met:

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

After initial recognition, they are measured at amortized cost using the effective interest method and are subject to depreciation. Profits and losses are recognized in profit or loss when the asset is derecognised, modified or depreciated. The financial assets of the Company measured at amortized cost consist mainly of receivables, financial assets, interest-bearing and lending loans, and cash and cash equivalents.





### **Impairment of financial assets**

The requirements of IFRS 9 have changed the method of assessing the Company's credit loss by replacing the method of losses incurred under IAS 39 with that of the expected credit loss.

The Company recognizes an impairment for expected credit losses (ECL) for all debt instruments that are not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows to be paid in accordance with the contract and all the cash flows that the Company expects to receive, deducting an approximation of the initial effective interest rate.

ECLs arise in two stages. For credit exposures for which there is no significant increase in credit risk since initial recognition, ECL is calculated for credit losses resulting from non-payment events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there is a significant increase in credit risk since initial recognition, a loss for ECL is calculated throughout the remaining exposure life, regardless of the time of non-payment event (ECL for all lifetime).

For trade and other receivables and contract assets, the Company applies a simplified approach to ECL calculation. Therefore, the Company does not follow changes in credit risk, but instead recognizes a depreciation based on ECL for the entire life of the receivable on each reporting date. The Company has created a depreciation matrix based on its historical credit loss experience.

The Company considers a financial asset late when the contractual payments are 90 days past. However, in certain cases, the Company may also consider a financial asset as being in arrears when internal or external information indicates that the Company is unlikely to receive unpaid contractual amounts in full. A financial asset is deleted when there are no reasonable expectations for the recovery of contractual cash flows.

### **Classification and measurement of financial liabilities**

Financial liabilities are classified, in the initial recognition, as financial liabilities of fair value through profit or loss, loans and borrowings or payable.

All financial liabilities are initially recognized at fair value and, in the case of loans and payables, net of the costs of the direct transaction attributed to it.

The Company's financial liabilities include trade liabilities, other payables and other financial liabilities, which are all classified as, held at amortized cost.



# ALBANIAN SECURITIES EXCHANGE ELSE SHA

## 4.7 Income Tax

Income tax expenses include current income tax and deferred tax expense. Income tax expenses are recognized in profit or loss in addition to the part relating to recognized items directly in capital or other comprehensive income.

The current income tax is the tax payable on taxable income using tax rates on the reporting date and any adjustment of the tax payable related to the previous year. Applicable profit tax is 15% of taxable profit.

### Deferred tax

Deferred profit tax is recognized in relation to the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the values used for tax purposes. Deferred tax is measured by tax rates that are expected to apply to temporary differences when they change, based on laws that have been or are in force on the reporting date.

A deferred tax asset is recognized to the extent that it is possible that future taxable profits will be available to cover temporary differences. Deferred tax assets are reviewed on any reporting date and reduced if tax benefits are no longer likely to be realized.

Income tax and deferred tax of the year are recognized in the statement of profit or loss and other comprehensive income, except when related to items recognized in other comprehensive or direct capital income, in which case the income tax and deferred tax are also recognized in other comprehensive income or directly in the capital statement respectively.

## 4.8 Cash and cash equivalents

Cash and cash equivalents include cash and current deposits in banks or other short-term liquid investments with a maturity of 3 or less months, for which the risk of a change in fair value is inconceivable, investments which the Company uses for managing its short-term commitments. Cash and cash equivalents are presented in the statement of financial position at their amortized cost.

## 4.9 Equity and dividends

### Equity

Share capital consists of cash contributed by the founders of the Company. The share capital was presented with the value in LEK converted with the exchange rate of the transaction date. The share capital of the Company is recognized at face value. The share capital which is signed for issuance but which is not yet registered is presented separately in the statement of capital movement. An unpaid capital contribution, which is payable in the future in a predetermined amount, is classified as unregistered and unpaid capital, unless the contribution has been reasonably assessed.

### Dividends

The distribution of dividends to the Company's shareholder is recognized in the Company's financial statements as a liability in the period in which they have been approved by the Company's shareholder.



#### **4.10 Employee benefits**

##### **Social and health insurance**

According to the Albanian legislation in force, the Company is obliged to pay fixed contributions on behalf of employees in a fund administered by the government. All these payments / liabilities are recognized as an expense in the period to which they belong.

##### **Benefits at termination of employment**

The benefits at the end of the employment relationship are recognized as an expense when the Company is visibly engaged, with no real possibility of withdrawal and when the Company recognizes restructuring costs. If the benefits are not expected to be fully resolved within 12 months of the reporting date, then they are discounted.

##### **Defined Contribution Plan**

Under the defined contribution plan, the number of future benefits is determined by the contributions paid and the funded profits. Liabilities are recognized in profit or loss in the appropriate period and increased interest on the pension fund from investment income is presented.

#### **4.11 Provisions**

A provision is recognized if, as a result of a past event, the Company has a current legal or constructive obligation, which can be reliably assessed and it is possible that outflows of economic benefits will be used to repay the obligation.

The amount recognized as a provision is the best estimate of the amount required to repay the current liability at the end of the reporting period, taking into account the risks and uncertainties about the liability.

When a provision is measured using cash flows estimated to repay the current liability, its carrying amount is the present value of those flows (when the effect of the time value of money is material). Restructuring provisions are known only if there is a detailed formal plan for restructuring and direction or has communicated the main features of the plan to those affected or has begun implementation. Reserves are not known for future operational losses.

When some or all of the economic benefits required to repay a provision are expected to be covered by a third party, a collection is recognized as an asset if it is practically certain that the refund will be received and the amount receivable can be measured reliably.

#### **4.12 Commitments and contingent liabilities**

Contingent liabilities are not recognized in the financial statements. They are reflected in the explanatory notes if the possibility of outsourcing resources that include economic benefits is low. Contingent assets are not recognized in the financial statements but are presented in the explanatory notes when the possibility of economic income is possible. The amount of a conditional loss is recognized as a provision if it is possible that future events will confirm the provision, an obligation is recognized on the date of the Statement of the financial position when an acceptable assessment of the loss can be made reliably.

#### **4.13 Trade receivables**

Trade receivables are non-derivative financial assets with fixed payments that are not quoted in an active securities market, other than those that the Company seeks to sell in the short term or are determined at fair value through profit or loss. The trade Receivables are first recognized at fair value and then measured at amortized cost using the effective cost of interest, deducting the impairment provision. A provision for depreciation for accounts receivable is created when there is objective evidence that the Company will not be able to collect all amounts in accordance with their terms at the outset.





## 4.14 Decline in value of non-financial assets

The accounting value of the Company's non-financial assets, in addition to deferred tax assets, is reviewed at each reporting date to determine whether there is evidence of impairment. If there is such evidence then the recoverable value of the asset is assessed. The loss from a fall in value is recognized if the carrying amount of an asset or the currency generating unit exceeds the recoverable value of the asset. The monetary generating unit is the smallest identifiable group of assets that generates cash flows that are independent of assets and other groups. Losses from declining value are recognized in the comprehensive income statement. The recoverable value of an asset, or monetary unit, is the largest between the fair value minus the selling costs and its value in use. In assessing the value in use, the estimated future flows of cash are discounted at their current value using a pre-tax rate that reflects the current market valuation of the time value of money and the specific risks to the asset. Previous losses are reviewed on each reporting date to assess whether there is evidence that the decline in value has softened, or no longer exists. A loss is canceled if there is evidence that there is no depreciation and there has been a change in the estimates used to determine the recoverable value. The loss from the fall in value is canceled to the extent that the carrying amount of the asset does not exceed the carrying amount that would be determined by deducting depreciation or amortization and if no loss of value had previously been recognized.

## 4.15 Operating expenses

Operating expenses are recognized in profit or loss during the use of the service or on the date on which they occurred. The costs for the guarantees are recognized and charged against the respective provision at the time the income related to them is recognized.

## 4.16 Financial income and expenses

Financial income includes income from interest on funds invested in bank deposits and profits from exchange rates.

Financial expenses include borrowing interest expenses and exchange rate losses. Gains and losses from exchange rates are reported gross. Interest income is recognized on the basis of the rights ascertained, using the effective interest method.

## 5 Significant accounting judgments, assumptions and estimates

The preparation of the financial statements requires from the management to exercise their own significant judgement in the process of implementation of the accounting policies of the Company and reported amounts of assets, liabilities, income and expenses. Current outcome may vary depending on these estimates

Judgements and judgments are constantly reviewed and based on previous experience and other factors, including expectations for future events, which are believed to be appropriate and relevant to the current circumstances. Current results may differ from these estimates. Reviews of accounting estimates are recognized in the period during which the review is reviewed if the review affects only that accounting period or in the period during which the review has been reviewed and future periods if the review affects both the current and future periods.

The information on important elements in the assessment of uncertainties and judgments on the application of accounting policies that have the most significant effect on the amounts recognized in the financial statements are presented below:



### **Revenues from contracts with customers**

The Company will apply the following judgments, which significantly affect the determination of the amount and time of recognition of revenue from contracts with customers:

#### *Identification of performance obligations*

The Company has entered into several entrepreneurial contracts, mainly with some second-tier banks, in which it promises to register memberships and trade securities on the Stock Exchange.

Entrepreneurship contracts are a promise to sell services that determine its value for each member. Their denomination can be identified individually at an individual price. The selling price for each membership can be easily identified in the enterprise contracts. Consequently, the Company has allocated the transaction price for each product on an individual basis.

#### *Determining the method for calculating variable consideration*

Given that some of the contracts may contain discounts, the Company must measure this variable price by using either by using the most probable outcome method or by the expected value method based on the method that best predicts the amount of the consideration for which he will be entitled.

### **Fair value determination**

The Company does not have significant accounting policies and the provision of explanatory information approved by the Company itself, which requires the determination of fair value, both for financial and non-financial assets and liabilities. The fair values are set for measurement and presentation purposes. Where applicable, further information regarding the assumptions made in determining fair values is disclosed in specific records of that asset or liability.

The management of the Company considers that the fair value of money, accounts receivable, accounts payable, other short-term assets and other short-term liabilities and profit tax liability, is approximated to the carrying amount mainly due to these maturity instruments.

## **5. Significant accounting judgments, assumptions and estimates – continued**

### **Going concern**

The Company is still in the early stages of business and since its inception has suffered financial losses and has not generated sufficient income. This is due to the full discounts given during 2020 and 2019 to its customers (members who are banks and / or brokerage firms) with the aim of fostering trade in this new platform.

During the beginning of 2020, the pandemic of COVID-19 spread globally. In Albania, it had a massive impact since March 2020, when the government took drastic measures by suspending all activities that were not vital. The Company is in the process of evaluating and taking measures to prevent negative impacts on its activities.

The Company continues to have a satisfactory liquidity position whereas short-term assets exceed short-term liabilities by about 3 times and mainly, are not financed by third party debts.

The General Assembly, by decision no.21 dated 14 August 2019, decided to increase the share capital of the Company. The Company has the continues support of its shareholders, who have the intention and ability to financially support the Company, for the foreseeable future. The main shareholder of the Company has confirmed full support for a period of at least for the next 12 months.





# ALBANIAN SECURITIES EXCHANGE ELSE SHA

## Income tax

The Company is subject to income tax in Albania. It is necessary to judge the determination of the amount of current and deferred profit tax. There are transactions and calculations for which the final tax determination is uncertain. The Company recognizes the obligation in case of expected tax audit based on estimates that additional taxes may arise as an obligation. If the final tax assessment is different from the amounts originally recorded, the differences will affect the current value of deferred tax assets and liabilities in the period in which such determination has been made.

## Impairment of financial assets

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. 12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Company has not identified and recognized impairment for financial assets as at 31 December 2020.





## 6. Financial risk Management

### 6.1 Financial risk factors

The Company's activities expose it to a variety of financial risks that include credit risk and the risk associated with the effects of the change in the exchange rate of foreign currencies and interest rates. Company risk management focuses on market unpredictability and aims to minimize potential adverse effects on the Company's business performance.

### 6.2 Credit risk

Credit risk is the risk of financial loss to the Company if the client or other parties do not fulfill the contractual obligations and arises mainly from the accounts receivable of the Company. The Company's exposure to credit risk is largely influenced by the individual characteristics of each client. The Company creates a provisional depreciation fund, which represents the Company's estimates for losses incurred in relation to accounts receivable based entirely on specific losses associated with individually significant exposures.

The Company does not have significant exposure to credit risk that could affect financial performance for the year ended 31 December 2020.

The maximum exposure of the Company to credit risk is represented by the residual value of each of the assets in the statement of financial position as presented below:

|  | 31 December 2020  | 31 December 2019  |
|--|-------------------|-------------------|
| <b>Not past due and not impairment</b> |                   |                   |
| Cash and cash equivalents              | 18,682,365        | 31,865,940        |
| Trade and other payables               | 133,482           | 399,667           |
| <b>Total Assets</b>                    | <b>18,815,847</b> | <b>32,265,607</b> |

### 6.3 Market risk

Market risk is the risk of loss as a result of changes in market prices, exchange rates and interest rate. The level of market risk to which the Company is exposed at a given moment depends on the market conditions, future pricing expectations or movements in market interest rates, the composition of the Company's material assets and contracts in which the Company is involved.

#### **Exchange rate risk**

The Company operates and is exposed to the exchange rate with foreign currencies, especially the Euro. The exchange rate risk comes when there is recognition of trade transactions as assets or liabilities in a currency, which is different from the Company's functional currency. The Company does not diversify its exposure to this type of risk because it does not expect significant losses as a result of foreign exchange rate fluctuations compared to the exchange rate at the reporting date.



# ALBANIAN SECURITIES EXCHANGE ALSE SHA

The Company's exposure to the exchange rate on 31 December 2020 was as follows:

|                             | Net Book Value    | EURO           | USD      | LEK               |
|-----------------------------|-------------------|----------------|----------|-------------------|
| <b>Assets</b>               |                   |                |          |                   |
| Cash and cash equivalents   | 18,682,365        | 973,188        | -        | 17,618,646        |
| Trade and other receivables | 133,482           | -              | -        | 133,482           |
| <b>Total Assets</b>         | <b>18,815,847</b> | <b>973,188</b> | <b>-</b> | <b>17,752,128</b> |
| <b>Liabilities</b>          |                   |                |          |                   |
| Trade and other payables    | 356,920           | 30,443         | -        | 326,477           |
| Other payables              | 9,412,978         | -              | -        | 9,412,978         |
| <b>Total Liabilities</b>    | <b>9,769,898</b>  | <b>30,443</b>  | <b>-</b> | <b>9,739,455</b>  |
| <b>Liquidity Gap</b>        | <b>9,045,949</b>  | <b>942,745</b> | <b>-</b> | <b>8,012,673</b>  |

Financial assets and liabilities in foreign currency on 31 December 2019 consist of the following.

|                             | Net Book value    | EURO               | USD      | LEK               |
|-----------------------------|-------------------|--------------------|----------|-------------------|
| <b>Assets</b>               |                   |                    |          |                   |
| Cash and cash equivalents   | 31,865,940        | 301,539            | -        | 31,564,401        |
| Trade and other receivables | 399,667           | -                  | -        | 399,667           |
| <b>Total Assets</b>         | <b>32,265,607</b> | <b>301,539</b>     | <b>-</b> | <b>31,964,068</b> |
| <b>Liabilities</b>          |                   |                    |          |                   |
| Trade and other payables    | 2,219,663         | 1,758,341          | -        | 461,322           |
| Other Payables              | 10,142,640        | -                  | -        | 10,142,640        |
| <b>Total Liabilities</b>    | <b>12,362,303</b> | <b>1,758,341</b>   | <b>-</b> | <b>10,603,962</b> |
| <b>Liquidity Gap</b>        | <b>19,903,304</b> | <b>(1,456,802)</b> | <b>-</b> | <b>21,360,106</b> |

## Sensitivity analysis for foreign currencies

Sensitivity analysis below is determined on the basis of exposure to foreign currency on the reporting date and determined change taking place at the beginning of the financial year and kept constant during the reporting period.

The following are the effects of changes in the exchange rate on the net loss, considering that all other variables are kept constant:

|     | Net value   | 10%       | 2019<br>(10%) |
|-----|-------------|-----------|---------------|
| EUR | 942,745     | 94,274    | (94,274)      |
|     | Net value   | 10%       | 2019<br>(10%) |
| EUR | (1,456,802) | (145,680) | 145,680       |

Sensitivity analysis includes only monetary items denominated in foreign currency at the end of the year, and a correlation of their values for a 10% change in exchange rates. The percentage is determined based on market volatility in the exchange rate in the previous 12 months. Positive / negative values indicate an increase / decrease in profit or capital, which occurs when the Lek strengthens / weakens against a foreign currency by +/- 10%.



#### b) Price risk

The Company is not exposed to the risk of capital price because it does not have active financial assets in the composition of capital instruments on the reporting date. It is not the Company's policy to buy these types of instruments and to be exposed to the price risk associated with the movements of capital market indices.

#### c) Interest rate risk

All assets of the Company that are interest bearing are linked to bank accounts. Company revenues and cash flows from operating activity are not significantly exposed to changes in market interest rates.

### 6.4 Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in meeting the obligations of its financial liabilities. The Company is exposed to the daily needs for monetary resources, mainly to settle the obligations created during the exercise of its normal activity. Leadership monitors daily, weekly and monthly liquidity by making forecasts for cash flows.

The tables below analyze the financial liabilities by maturity based on the remaining period from the reporting date to the maturity date, as in contract. The amounts shown in the table below are undiscounted cash flows as in contract. Balances of up to 12 months are reconciled with their carrying amount because the difference with the discounted value is not significant.

The exposure to liquidity risk on 31 December 2020 is presented as follows:

|                             | Net Book value    | 6 months or less  | 6-12 months | 1-5 years          |
|-----------------------------|-------------------|-------------------|-------------|--------------------|
| <b>Assets</b>               |                   |                   |             |                    |
| Cash and cash equivalents   | 18,682,365        | 18,682,365        | -           | -                  |
| Trade and other receivables | 133,482           | 133,482           | -           | -                  |
| <b>Total Assets</b>         | <b>18,815,847</b> | <b>18,815,847</b> | <b>-</b>    | <b>-</b>           |
| <b>Liabilities</b>          |                   |                   |             |                    |
| Trade and other payables    | 356,919           | 356,919           | -           | -                  |
| Other payables              | 9,412,978         | -                 | -           | 9,412,978          |
| <b>Total liabilities</b>    | <b>9,769,897</b>  | <b>356,919</b>    | <b>-</b>    | <b>9,412,978</b>   |
| <b>Liquidity gap</b>        | <b>9,045,950</b>  | <b>18,458,928</b> | <b>-</b>    | <b>(9,412,978)</b> |

The exposure to liquidity risk on 31 December 2019 is presented as follows:

|                             | Net Book value    | 6 months or less  | 6-12 months        | 1-5 years           |
|-----------------------------|-------------------|-------------------|--------------------|---------------------|
| <b>Assets</b>               |                   |                   |                    |                     |
| Cash and cash equivalents   | 31,865,940        | 31,865,940        | -                  | -                   |
| Trade and other receivables | 399,667           | 399,667           | -                  | -                   |
| <b>Total Assets</b>         | <b>32,265,607</b> | <b>32,265,607</b> | <b>-</b>           | <b>-</b>            |
| <b>Liabilities</b>          |                   |                   |                    |                     |
| Trade and other payables    | 2,219,663         | 1,001,963         | 1,217,700          | -                   |
| Other payables              | 10,142,640        | -                 | -                  | 10,142,640          |
| <b>Total liabilities</b>    | <b>12,362,303</b> | <b>1,001,963</b>  | <b>1,217,700</b>   | <b>10,142,640</b>   |
| <b>Liquidity gap</b>        | <b>19,903,304</b> | <b>31,263,644</b> | <b>(1,217,700)</b> | <b>(10,142,640)</b> |





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## 7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2020 and 31 December 2019 are as below:

|               | 31 December 2020  | 31 December 2019  |
|---------------|-------------------|-------------------|
| Cash on hand  |                   |                   |
| ALL           | 81,791            | 163,021           |
| EUR           | 8,741             | 8,741             |
|               | <b>90,532</b>     | <b>171,762</b>    |
| Cash on banks |                   |                   |
| Bank ALL      | 17,618,645        | 31,401,380        |
| Bank EUR      | 973,188           | 292,798           |
|               | <b>18,591,833</b> | <b>31,694,178</b> |
| <b>Total</b>  | <b>18,682,365</b> | <b>31,865,940</b> |

## 8. Trade and other receivables

Trade and other receivables for year ended on 31 December 2020 and 31 December 2019 are as follows:

|                                  | 31 December 2020 | 31 December 2019 |
|----------------------------------|------------------|------------------|
| Trade receivables                | 133,482          | 130,350          |
| VAT                              | -                | 190,672          |
| Other receivables                | -                | 78,645           |
| <b>Total</b>                     | <b>133,482</b>   | <b>399,667</b>   |
| <b>Impairment of receivables</b> |                  | -                |
| <b>Total</b>                     | <b>133,482</b>   | <b>399,667</b>   |

## 9. Prepayments and deferred expenses

Prepayments and deferred expenses as of 31 December 2020 and 2019 consist of the following:

|                   | 31 December 2020 | 31 December 2019 |
|-------------------|------------------|------------------|
| Deferred expenses | 131,212          | 130,173          |
| <b>Total</b>      | <b>131,212</b>   | <b>130,173</b>   |



## 10. Property, plant and equipment

Property plant and equipment as at 31 December 2020 and 2019 detailed as below:

|                               | Right of use –<br>Building | Building re-<br>construction | Furniture and<br>office sup-<br>plies | Computers and IT<br>equipment | Total             |
|-------------------------------|----------------------------|------------------------------|---------------------------------------|-------------------------------|-------------------|
| <b>Cost</b>                   |                            |                              |                                       |                               |                   |
| As at 1 January 2019          | -                          | 2,042,841                    | 1,647,144                             | 2,098,603                     | 5,788,588         |
| Additions                     | 19,685,038                 | -                            | 60,152                                | 214,462                       | 19,959,652        |
| Disposal                      | (6,400,907)                | -                            | -                                     | -                             | (6,400,907)       |
| <b>As at 31 December 2019</b> | <b>13,284,131</b>          | <b>2,042,841</b>             | <b>1,707,296</b>                      | <b>2,313,065</b>              | <b>19,347,333</b> |
| Additions                     | -                          | -                            | -                                     | -                             | -                 |
| Disposal                      | -                          | -                            | -                                     | -                             | -                 |
| <b>As at 31 December 2020</b> | <b>13,284,131</b>          | <b>2,042,841</b>             | <b>1,707,296</b>                      | <b>2,313,066</b>              | <b>19,347,334</b> |
| <b>Depreciation</b>           |                            |                              |                                       |                               |                   |
| As at 1 January 2019          | -                          | 134,487                      | 430,701                               | 678,155                       | 1,243,343         |
| Amortization of the year      | 2,315,887                  | 95,418                       | 276,765                               | 381,919                       | 3,069,989         |
| <b>As at 31 December 2019</b> | <b>2,315,887</b>           | <b>229,905</b>               | <b>707,466</b>                        | <b>1,060,074</b>              | <b>4,313,332</b>  |
| Amortization of the year      | 1,096,824                  | 90,647                       | 230,689                               | 230,439                       | 1,704,599         |
| <b>As at 31 December 2020</b> | <b>3,412,711</b>           | <b>320,552</b>               | <b>938,155</b>                        | <b>1,346,513</b>              | <b>6,017,931</b>  |
| <b>Net carrying amount</b>    |                            |                              |                                       |                               |                   |
| <b>As at 31 December 2019</b> | <b>10,968,244</b>          | <b>1,812,936</b>             | <b>999,830</b>                        | <b>1,252,991</b>              | <b>15,034,002</b> |
| <b>As at 31 December 2020</b> | <b>9,871,420</b>           | <b>1,722,289</b>             | <b>769,141</b>                        | <b>966,551</b>                | <b>13,329,402</b> |

### Right of use asset

The data regarding the nature of the assets of the right of use by type are presented as follows:

|                           | Number of right<br>of use<br>assets | Contract ma-<br>turity | Leases with<br>maturity<br>extension<br>option | Leases with buy-<br>ing option | Variable<br>payment<br>lease |
|---------------------------|-------------------------------------|------------------------|--|--------------------------------|------------------------------|
| <b>Right of use asset</b> |                                     |                        |  |                                |                              |
| Building                  | 1                                   | 10                     | -  | -                              | -                            |



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## 11. Intangible assets

Intangible assets as at 31 December 2020 and 2019 detailed as below:

|                               | License           | Total             |
|-------------------------------|-------------------|-------------------|
| <b>Cost</b>                   |                   |                   |
| As at 1 January 2019          | 12,369,445        | 12,369,445        |
| Additions                     | -                 | -                 |
| Transfers                     | -                 | -                 |
| <b>As at 31 December 2019</b> | <b>12,369,445</b> | <b>12,369,445</b> |
| Additions                     | -                 | -                 |
| <b>As at 31 December 2020</b> | <b>12,369,445</b> | <b>12,369,445</b> |
| <b>Amortization</b>           |                   |                   |
| As at 1 January 2019          | 1,357,573         | 1,357,573         |
| Additions                     | 3,092,361         | 3,092,361         |
| <b>As at 31 December 2019</b> | <b>4,449,934</b>  | <b>4,449,934</b>  |
| Additions                     | 3,092,364         | 3,092,364         |
| <b>As at 31 December 2020</b> | <b>7,542,298</b>  | <b>7,542,298</b>  |
| <b>Net carrying amount</b>    |                   |                   |
| <b>As at 31 December 2019</b> | <b>7,919,511</b>  | <b>7,919,511</b>  |
| <b>As at 31 December 2020</b> | <b>4,827,147</b>  | <b>4,827,147</b>  |

The intangible assets consist of the "Quick Trade" Program License, which has started to be used for the trading of securities from March 2018 onwards. The costs of developing the program until the start of use are treated as assets in process.

## 12. Trade and other payables

Trade and other payables as at 31 December 2020 and 2019 are as below:

|  | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Payables to suppliers                                | 58,168           | 53,799           |
| Contractual liabilities for "Quick Trade"-short term | -                | 1,217,700        |
| Social and health insurance                          | 167,869          | 249,142          |
| Withholding tax                                      | 120,579          | 151,056          |
| Employees Payables                                   | 14               | -                |
| Accrued expenses                                     | -                | 547,965          |
| Value Added Tax                                      | 10,290           |                  |
| <b>Total</b>   | <b>356,920</b>   | <b>2,219,662</b> |





Contractual obligations for the development of the license of the Quick Trade program are recognized based on the agreement dated 13.12.2016 between the Company and Novita d.o.o., according to which the annual billing of 10,000 Euros is performed until the payment of the full value of Licenses.

### 13. Lease liabilities

#### Lease contract obligations

The obligations from the lease contracts according to maturity are presented as follows:

|                         | 31 December 2020  | 31 December 2019  |
|-------------------------|-------------------|-------------------|
| Current liabilities     | 890,418           | 825,604           |
| Non-current liabilities | 9,412,978         | 10,142,640        |
| <b>Total</b>            | <b>10,303,396</b> | <b>10,968,244</b> |

Obligation from lease contracts is related to lease contracts classified as financial lease recognized in accounting under IFRS 16. The Company has leased premises where it conducts the main activity for a period of 10 years. Apart from this contract, it has no other short-term or low-value contracts, classified as operational lease.

Minimum lease payments in the future as at 31 December 2020 are presented as follows:

|                          | Within 6 months | 6-12 months    | 1-5 years        | After 5 years    | Total             |
|--------------------------|-----------------|----------------|------------------|------------------|-------------------|
| <b>December 31, 2020</b> |                 |                |                  |                  |                   |
| Lease instalments        | 742,200         | 742,200        | 5,195,400        | 6,679,800        | 13,359,600        |
| Financial expenses       | (303,652)       | (290,330)      | (1,791,807)      | (670,415)        | (3,056,204)       |
| <b>Total</b>             | <b>438,548</b>  | <b>451,870</b> | <b>3,403,593</b> | <b>6,009,385</b> | <b>10,303,397</b> |
| <b>December 31, 2020</b> |                 |                |                  |                  |                   |
| Lease instalments        | 730,620         | 730,620        | 5,844,960        | 7,306,200        | 14,612,400        |
| Financial expenses       | (323,994)       | (311,642)      | (2,000,942)      | (1,007,578)      | (3,644,156)       |
| <b>Total</b>             | <b>406,626</b>  | <b>418,978</b> | <b>3,844,018</b> | <b>6,298,622</b> | <b>10,968,244</b> |

### 14. Equity

As at 31 December 2020, the registered share capital is 85,000,000 Lek, and consists of 850,000 shares with a nominal value of 100 Lek.

The share structure based on fully paid and registered capital on 31 December 2020 and 2019 is as follows:



|                          | 31 December 2020 |                  |                   | 31 December 2019 |                  |                   |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
|                          | In %             | Number of shares | In Lek            | In %             | Number of shares | In Lek            |
| Credins Banka            | 45.59%           | 387,500          | 38,750,000        | 45.59%           | 387,500          | 38,750,000        |
| American investment bank | 45.59%           | 387,500          | 38,750,000        | 45.59%           | 387,500          | 38,750,000        |
| AK-Invest                | 8.82%            | 75,000           | 7,500,000         | 8.82%            | 75,000           | 7,500,000         |
|                          | <b>100%</b>      | <b>850,000</b>   | <b>85,000,000</b> | <b>100%</b>      | <b>850,000</b>   | <b>85,000,000</b> |

## 15. Operating income

Operating income consists of income from the service of registration of memberships and trading of securities on the Stock Exchange.

Operating income as at 31 December 2020 and 2019 is detailed as below:

|                          | 31 December 2020 | 31 December 2019 |
|--------------------------|------------------|------------------|
| Operating income – gross | 1,933,416        | 4,605,095        |
| Less: client deductions  | (384,546)        | (4,605,095)      |
| Other income             | 1,604,370        | 185,248          |
| <b>Total</b>             | <b>3,153,240</b> | <b>185,248</b>   |

Other income includes income from the sublease to Alreg sh.a. In 2020, such revenue is offset by lease expenditures. Upon application of IFRS 16, the income from the sub-lease was presented separately in 2020.

Based on the following requirements of IFRS 15, are presenting the revenue for 2020 and 2019 by nature:

|  | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Income from fees and commissions                   | 978,069          | 1,023,416        |
| Less: discount to Income from fees and commissions | -                | (46,430)         |
| <b>Income from fees and commissions, net</b>       | <b>978,069</b>   | <b>976,986</b>   |
| Income from membership                             | 1,029,000        | 910,000          |
| Less: membership income discounts                  | -                | (338,116)        |
| <b>Income from membership, net</b>                 | <b>1,029,000</b> | <b>571,884</b>   |
| Other operating income                             | -                | 1,478,560        |
| Income from mutual expenses distribution           | 102,946          | 125,809          |
| <b>Other income</b>                                | <b>102,946</b>   | <b>1,604,369</b> |
| <b>Total</b>                                       | <b>2,110,015</b> | <b>3,153,240</b> |



## 16. Personnel expenses

Personnel expenses for the year ended as at 31 December 2020 and 31 December 2019 are as follows:

|   | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Salaries  | 6,436,860        | 5,720,373        |
| Bonus for personnel                               | -                | 405,000          |
| Social and health insurance expenses              | 851,330          | 715,941          |
| Contributions to voluntary pension plan contracts | 70,500           | 60,500           |
| Expenses for life and health insurance            | 130,168          | 103,305          |
| <b>Total</b>                                      | <b>7,488,858</b> | <b>7,005,119</b> |

## 17. Administrative expenses

The administrative expenses for the year ended on 31 December 2020 and 31 December 2019 are detailed as follows:

|  | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Programme hosting expenses                               | 2,337,318        | 2,750,365        |
| Lease expenses   | 59,500           | 50,246           |
| Expenses for participation in Steering Councils          | 593,554          | 732,540          |
| Consultancy expenses related accounting and tax services | 450,689          | 583,222          |
| Local tax expenses                                       | 317,500          | 310,000          |
| Utility expenses   | 199,359          | 232,181          |
| Representation expenses                                  | 112,790          | 140,134          |
| Non-deductible expenses/Withholding tax                  | 86,688           | 85,750           |
| Translation expense                                      | 120,006          | 70,945           |
| Business trip expenses, per diems                        | -                | 67,063           |
| Marketing and sponsor expenses                           | 41,850           | 75,300           |
| Phone and internet expenses                              | 204,001          | 89,055           |
| Registration, licensing expenses and other fees          | 82,337           | 30,701           |
| Other expenses   | 19,547           | 126,332          |
| <b>Total</b>   | <b>4,625,139</b> | <b>5,343,834</b> |

## 18. Financial expenses, net

Revenues and financial expenses for the year ended as at 31 December 2020 and 2019 consist of the following:

|   | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Interest expenses/Income from interest, net | 648,691          | 1,128,831        |
| Bank commissions                            | 52,751           | 50,979           |
| <b>Financial expenses, net</b>              | <b>701,442</b>   | <b>1,179,810</b> |



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## 19. Gain from exchange rate, net

The profit from the exchange rate for the year ended as at December 31, 2020 and 2019 consists of the following:

|   | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Unrealized gain from the exchange rate  | 258,095          | 729,000          |
| Unrealized loss from the exchange rate  | (42,388)         | (28,092)         |
| <b>Gain from the exchange rate, net</b> | <b>215,707</b>   | <b>700,908</b>   |

## 20. Income tax expenses

In accordance with Albanian tax laws, the rate applicable to profit tax for 2020 is 15% (2019; 15%). Tax returns are submitted annually but the income and expenses declared for tax purposes are considered self-declarations until the moment when the tax authorities review the taxpayer's declarations and records and issue the final assessment.

Albanian tax laws and regulations are subject to interpretation by the tax authorities. Non-deductible expenses for tax purposes represent unsupported expenses with the relevant documentation or expenses considered non-deductible for tax purposes. The Company for 2020 and 2019 does not recognize tax assets deferred until 31 December 2020 in terms of tax losses, because the management deems that the expected tax profits of the Company are not certain to compensate for tax losses carried forward.

Reconciliation of the effective tax rate / accounting result with the fiscal result:

|   | 31 December 2020    | 31 December 2019    |
|---|---------------------|---------------------|
| <b>Loss before tax</b>                                | <b>(15,718,094)</b> | <b>(15,836,965)</b> |
| <i>Non-deductible expenses</i>                        |                     |                     |
| Withholding tax related to non-deductible expenses    | 86,688              | 85,750              |
| Representation cost                                   | 17,740              | 56,534              |
| Utility expenses                                      | 31,886              | 44,987              |
| Other expenses  | 33,474              | 39,313              |
|   | 169,788             | 226,584             |
| <b>Tax result for the period</b>                      | <b>(15,548,306)</b> | <b>(15,610,381)</b> |
| Tax calculated for the tax result of the period (15%) | (2,332,246)         | (2,341,557)         |
| <b>Profit tax expense</b>                             |                     | -                   |

According to the profit tax law, the Company can bear tax losses in the next three tax periods, according to the principle of "first loss before the last one". If during a tax period the direct and / or indirect ownership of a person's basic capital or voting rights changes by more than 50 percent, in value or number, the above paragraph does not apply to losses incurred by that legal person in that tax period and in the previous tax periods". Changes in capital during 2019 have not changed the share structure by more than 50 percent, as a result loss can be borne.





The tax loss accumulated on 31 December 2020 is detailed as follows:

| <b>Fiscal period until:</b> | <b>Period loss:</b> | <b>Accumulated loss:</b> | <b>Until:</b>   |
|-----------------------------|---------------------|--------------------------|-----------------|
| 31 December 2017            | 12,051,186          | 12,051,186               | 31 dhjetor 2020 |
| 31 December 2018            | 13,667,743          | 25,718,929               | 31 dhjetor 2021 |
| 31 December 2019            | 15,610,381          | 41,329,310               | 31 dhjetor 2022 |
| 31 December 2020            | 15,548,307          | 56,877,617               | 31 dhjetor 2023 |

## 21. Related parties

The parties are considered related if one party has the opportunity to control the other party or exercise significant influence over the other party in making financial decisions or other decisions. Related parties include shareholders, directors and entities affiliated with the Company.

The volume of these transactions and the balances at the end of the respective periods are as follows:

|   | <b>31 December 2020</b> | <b>31 December 2019</b> |
|---|-------------------------|-------------------------|
| <i>Assets</i>                                   |                         |                         |
| Current account (Credins bank)                  | 18,591,833              | 31,694,179              |
| Receivables from Credins Bank                   | 63,135                  | 40,716                  |
| Receivables from ABI Bank                       | 62,942                  | 79,289                  |
| Receivables from ALREG                          | -                       | 10,041                  |
| <b>Total assets</b>                             | <b>18,717,910</b>       | <b>31,694,179</b>       |
| <i>Liabilities</i>                              |                         |                         |
| Payables to ALREG                               | -                       | -                       |
| <b>Total Liabilities</b>                        | <b>-</b>                | <b>-</b>                |
| <i>Income</i>                                   |                         |                         |
| Commissions and membership fees                 | 1,900,015               | 1,211,182               |
| Allocated discounts                             | -                       | (20,768)                |
| Income from ALREG                               | 102,946                 | 1,604,370               |
| <b>Total Income</b>                             | <b>2,002,961</b>        | <b>2,794,784</b>        |
| <i>Expenses</i>                                 |                         |                         |
| Personel expenses                               | 3,250,000               | 3,250,000               |
| Expenses for participation in Steering Councils | 593,554                 | 732,540                 |
| Other expenses                                  | -                       | -                       |
| <b>Total Expenses</b>                           | <b>3,843,554</b>        | <b>3,982,540</b>        |



## 22. Contingent liabilities and commitments

### Lease commitments

As at 31 December 2019 the Company performs its activity in leased premises. The Company has leased the premises where it conducts the main activity and has entered into a lease contract with a maximum term of 10 years. The Company may cancel this lease after six months of notice. Therefore, on 31 December 2020, the maximum non-refundable liability payable no later than one year is 890,418 ALL.

### Legal issues

During the performance of its activities, the Company may be involved in claim and legal issues. The management is confident that the Company will not have significant events to affect its financial position or to change the net value of assets, except those for which a provision is recognized in the financial statements.

### Contingent commitments

The Company does not have important Contingent obligations contracted until the date of the statement of financial position, which are not recognized in the financial statements.

## 23. Subsequent events

There have been no other events since the reporting date, which requires any submission or adjustment to the financial statements. There are no events after the balance sheet date that may require correction or additional notes in the Company's financial statements.



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