

Sigal Voluntary Pension Fund
Financial Statements
for the year ended 31 December 2015
(with the Independent Auditor's report thereon)

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Independent Auditor's Report

To the Shareholders of Shoqëria Administruese e Fondit të Pensionit Sigal Life Uniqa Group Austria sh.a.

We have audited the accompanying financial statements of Fondi i Pensionit Vullnetar Sigal sh.a. (the "Fund"), which comprise the statement of financial position as at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit sh.p.k.

PricewaterhouseCoopers Audit sh.p.k.

Jonid Lamllari
Statutory Auditor

23 June 2016
Tirana, Albania

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Fondi i Pensionit Vullnetar "SIGAL"
Statement of Financial Position as at 31 December 2015
(all amounts are expressed in Lek, unless otherwise stated)

Statement of financial position

	Note	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	7	46,295,406	32,346,505
Investment securities held-to-maturity	8	422,176,657	278,211,752
TOTAL ASSETS		468,472,063	310,558,257
LIABILITIES			
Other liabilities		-	-
Total Liabilities		-	-
NET ASSETS VALUE		468,472,063	310,558,257
Number of accounting units		376,886	260,929
Value of net assets per accounting unit		1,243	1,190

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

These financial statements have been approved by management of the Fund's Administration Company, Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a., on 20 June 2016 and signed on its behalf by:

Naim Hasa
General Director

Junida Zavalani
Finance Specialist



Fondi i Pensionit Vullnetar "SIGAL"**Statement of profit or loss and other comprehensive income for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***Statement of profit or loss and other comprehensive income – by nature of expense**

	Note	2015	2014
Interest income from securities	9	27,808,556	19,451,847
Other interest income	10	236,052	32,387
		28,044,608	19,484,234
Administration fee expense		(11,417,685)	(7,599,826)
		(11,417,685)	(7,599,826)
Net foreign exchange loss		(18,803)	(14,431)
Increase in net assets attributable to the unit holders from operations		16,608,120	11,869,977

The accompanying notes on pages 5 to 19 are an integral part of these financial statements

Fondi i Pensionit Vullnetar "SIGAL"**Statement of changes in net assets for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***Statement of changes in net assets attributable to the unit holders**

	Year ended 31 December 2015	Year ended 31 December 2014
Net profit from investments	16,608,120	11,869,977
Net increase in net assets from the fund's business operations	16,608,120	11,869,977
Cash inflow from the fund's members	149,882,833	110,452,444
Outflows on the basis of changing the pension fund	(7,653,007)	(10,567,776)
Outflows on the basis of pension payments or early withdrawals	(924,140)	(3,386,157)
Net increase in net assets from transactions with fund's members	141,305,686	96,498,511
Total increase in net assets	157,913,806	108,368,488
NET ASSETS		
At the beginning of period	310,558,257	202,189,769
At the end of period	468,472,063	310,558,257
Number of accounting units at the beginning of period/date of license approval	260,928	178,056
Issued accounting units on the basis of contribution	123,061	94,913
Withdrawn accounting units on the basis of the change of pension fund	(4,019)	(9,084)
Withdrawn accounting units on the basis of pension or early withdrawals	(3,084)	(2,956)
NUMBER OF ACCOUNTING UNITS AT THE END OF PERIOD	376,886	260,929

The accompanying notes on pages 5 to 19 are an integral part of these financial statements

Fondi i Pensionit Vullnetar "SIGAL"**Notes to Financial Statements for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***Statement of cash flows**

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Increase of the value of net assets		16,608,120	11,869,977
<i>Adjustment for :</i>			
Change in accrued income from investments	8	(3,964,905)	(1,747,152)
<i>Changes in operating assets and liabilities:</i>			
Cash inflow from the fund's members		149,882,833	110,452,444
Outflows on the basis of changing the pension fund		(7,653,007)	(10,567,776)
Outflows on the basis of pension payments or early withdrawals		(924,140)	(3,386,157)
Change in receivables from management company		-	-
Net cash from operating activities		153,948,901	106,621,336
Cash flows from investing activities			
Acquisition of investment securities	8	(140,000,000)	(77,800,000)
Decrease in term deposits		-	-
Net cash used in investing activities		(140,000,000)	(77,800,000)
Net increase in cash and cash equivalents		13,948,901	28,821,336
Cash and cash equivalents at the beginning of the period		32,364,505	3,525,169
Cash and cash equivalents at the end of year	7	46,295,406	32,364,505

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

1. General information

Fondi i Pensionit Vullnetar Sigal ("the Fund") is a defined contribution fund authorized with decision of the Board of the Albanian Financial Supervisory Authority ("AFSA") No. 51, dated 30 March 2011.

The Fund's objective is to generate medium and long-term capital growth by trading a portfolio of debt securities mainly issued by the Albanian Government.

The Fund is under the administration of "Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria sh.a." (the "Administration Company") which was licensed by the AFSA on 30 March 2011.

The pension fund is owned by all contributors of the Fund in a shared ownership which is represented in quotas of the pension fund. Each quota represents the proportional ownership over of the assets of the pension fund.

The Albanian Financial Supervisory Authority has approved Tirana Bank sh.a. as Depositary of the Fund. The Management Company and the Depositary are required to maintain the assets, operations and records of the Pension Fund separated from their own assets, operations and records. Therefore, the accounting records and financial statements of the Pension Fund and the Management Company are separately maintained and reported.

Registered address

The Fund's Administration Company registered office is in "Bulevardi Zogu I" street, No. 1, Tirana, Albania.

2. Summary of significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Foreign currency translation

Functional and presentation currency

These financial statements are presented in Albanian Lek (ALL), which is the Fund's functional currency. A company's functional currency is the currency of the primary economic environment in which it operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

2. Summary of significant accounting policies (continued)

b) Foreign currency translation (continued)

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

c) Financial Instruments

The Fund's financial instruments are measured at amortised cost depending on their measurement category.

i) Recognition

The Fund's financial instruments (assets and liabilities) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

ii) Classification

Financial assets have the following categories: (a) loans and receivables (term deposits with banks and insurance receivables) and (b) financial assets held to maturity (HTM). Financial liabilities are classified as other financial liabilities (including insurance/trade liabilities and other liabilities) and are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Fund intends to sell in the near term. Loans and receivables include term deposits with banks and insurance and other receivables and are carried at amortised cost using the effective interest method, net of provision for incurred impairment losses.

Financial assets held to maturity include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any provision for incurred impairment losses.

iii) Derecognition

The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Fund has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

2. Summary of significant accounting policies (continued)

c) Financial instruments (continued)

iv) *Amortized cost measurement*

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

v) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Fund's trading activity.

vi) *Impairment of financial assets carried at amortised cost*

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Fund determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Fund considers in determining whether a financial asset is impaired are its overdue status, liabilities that can be offset for the same customer and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Fund obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Term deposits with original maturities of more than three months are classified as term deposits with banks as a sub-category of loans and receivable financial assets.

e) Investment entity and consolidation

The Fund has multiple unrelated investors and holds multiple investments. The financial statements of the Fund are not consolidated to the Administration Company's. The Fund has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) The Fund has obtained funds for the purpose of providing investors with professional investment management services.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

2. Summary of significant accounting policies (continued)

e) Investment entity and consolidation (continued)

(b) The Fund's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income.

(c) The investments are measured and evaluated on a fair value basis (except for those classified as Held to maturity).

f) Term Deposits

Term deposits are stated in the statement of financial position at the amount of principal outstanding and are classified as those with initial maturities more than three months. Interest is accrued using effective interest rate method and interest receivable is presented in accounts receivable.

g) Investment securities held-to-maturity

Investment securities are debt investments that the Fund has the intent and ability to hold to maturity and are classified as held-to-maturity assets. Investments, which have fixed or determinable payments and which are intended to be held-to-maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Premiums and discounts on investments designated as held-to-maturity are amortized on a systematic basis to maturity using the effective interest method and recorded in interest income.

h) Net Assets Value

Net assets represent cash contributions and the return from the investment on these contributions after deduction of fees and commissions for the Administration Company owned by the pension fund contributors.

In accordance with article 12, no.10197 dated 12 December 2009 "On voluntary pension funds", the Administration Company converts contributions invested in the Fund into quotas.

Each quota represents a proportional part of the ownership over each asset of the Fund. Accounting units refer to the total contribution amount divided by value of accounting unit.

i) Interest income from securities

Interest income and expense are recognized in statement of profit or loss and other comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Interest income from securities presented in the income statement includes interest income on financial assets of the Fund.

j) Commission fee expense

In accordance to article 69, Law no.10197 dated 12 December 2009 "On voluntary pension funds", the Fund is liable to pay to the Administration Company an annual management fee of 3% of Net Asset Value. This represents an expense for the Fund and is calculated on a daily basis.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

3. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Fund from 1 January 2015:

- Annual improvements to IFRSs 2012 consisting of changes to IFRS 2, IFRS 3, IFRS 8, IAS 16 and IAS 38 and IAS 24.
- Annual improvements to IFRS 2013 consisting of changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Fund has not early adopted.

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- IFRS 16 "Leases" (issued in January 2016, effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 12 related to recognition of deferred tax assets for unrealized losses (issued in January 2016, effective for annual periods beginning on or after 1 January 2017)
- Disclosure initiative, amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

The new standards and interpretations are not expected to affect significantly the Fund's financial statements except for IFRS 9 which shall impact the Fund's classification of financial assets and the basis for assessment of their impairment.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

4. Use of estimates and judgement

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions.

The models used to determine fair values are validated and periodically reviewed by the Management Company. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment. Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

5. Financial risks

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The risk management function within the Fund is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks. The Fund does not make use of derivative financial instruments to hedge these risks exposures.

Fondi i Pensionit Vullnetar "SIGAL"

Notes to Financial Statements for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

5. Financial risks (continued)

Risk Management Framework

The Fund's activity is monitored and managed by Shoqëria Administruese e Fondit të Pensionit SIGAL LIFE UNIQA GROUP AUSTRIA. Sh.a ("The Management Company") and following Law no.10197 dated 10 December 2009 "On voluntary pension funds", the Management Company should establish a separate function dedicated to risk management.

The shareholders of the Management Company appointed the Fund's Administration Council, which is comprised of five members:

- Mr. Adrian Totokoçi, Chairman
- Mr. Klement Mersini, Member
- Mr. Naim Hasa, Member
- Mr. Abdyl Sarja, Member
- Mr. Edvin Hoxhaj, Member

The Administration Council competencies include control and supervision over the implementation of commercial policies, business development of the Administration Company; the approval of financial and investment policies; the appointment and dismissal of the administrators or members of the Investment Committee. The administration council is committed to ensuring that the acts of the Administrating Company are in compliance with the Law and accounting standards.

The Administration Council appointed the Investment Committee members:

- Mr. Naim Hasa, General Director of the Administration Company.
- Mr. Klement Mersini, Finance Manager of "Sigal Uniq Group Austria Sh.a"
- Mr. Ilir Hoti, Financial advisor of "Sigal Uniq Group Austria Sh.a"
- Mrs. Esmeralda Shehaj, Professor at the University of Tirana, Faculty of Economics and Consultant on investment and risk management.

The Investment Committee organizes at least four meetings per year, in order to develop investment policies, perform asset allocation and modification and present them to the Administration Company. These policies rely on qualitative and quantitative analysis of capital markets, risk markets, and other technical analysis in accordance with the limitations and maximum investment limits determined by the law and the regulations above mentioned.

Depository

Pursuant to article 45 of Law no.10197, dated 10 December 2009 "On voluntary pension funds", pension fund assets, including cash and cash equivalents, are to be held with a single depository, a bank licensed by the Bank of Albania, for the provision of custody services as approved by the Financial Services Authority for the depository role.

The Administration Company of the Fund has custody agreements with Tirana Bank sh.a.. In accordance with Law No. 10197, dated 10 December 2009 "On voluntary pension funds", the Bank provides services regarding custody, deposit and trust for the fund assets.

Depository functions include calculation of the net asset value of the pension fund and reporting on monthly basis to the Administration Company, ensuring that income from transactions involving the assets of the pension fund is distributed/capitalized to pension fund contributors in accordance legislation in force, and informing the Financial Supervision Authority on any matter which may constitute a breach of legislation or threatening the interests of members.

Fondi i Pensionit Vullnetar "SIGAL"**Notes to Financial Statements for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***5. Financial risks (continued)****5.1 Market risk**

The Fund takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

a) Foreign exchange risk

The Fund undertakes transactions in both local and foreign currencies; hence exposures to exchange rate fluctuations arise. Foreign currency risk arises as the value of future transactions on recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Management monitors the exposure on all foreign currency denominated assets and liabilities.

Currency risk in the investments portfolio is managed using assets/liabilities matching principles. The applicable official Bank rate (Lek to the foreign currency unit) for the principal currencies was as below:

in Lek	31 December 2015	31 December 2014
USD	125.79	115.23
Euro	137.28	140.14

Financial assets and liabilities in foreign currencies as of 31 December 2015 and 2014 are composed of the following:

31 December 2015

Assets	in Lek	in EUR	Total
Cash on hand and at banks	45,854,051	441,355	46,295,406
Investment in securities	422,176,657	-	422,176,657
Total financial assets	468,030,708	441,355	468,472,063
Total financial liabilities	-	-	-
Net position	468,030,708	441,355	468,472,063

Fondi i Pensionit Vullnetar "SIGAL"
Notes to Financial Statements for the year ended 31 December 2015
(all amounts are expressed in Lek, unless otherwise stated)

5. Financial risks (continued)

5.1 Market risk (continued)

a) Foreign exchange risk (continued)

31 December 2014

Assets	in Lek	in EUR	Total
Cash on hand and at banks	31,940,099	406,406	32,346,505
Investment in securities	278,211,752	-	278,211,752
Total financial assets	310,151,851	406,406	310,558,257
Total financial liabilities	-	-	-
Net position	310,151,851	406,406	310,558,257

b) Interest rate risk

Interest rate risk is comprised of the risk effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. As at 31 December 2015 and 2014 the Fund has no significant interest bearing liabilities and therefore has no significant concentration of interest rate risk.

Bond prices and interest rates are inversely related. On the other hand a low interest rate environment makes it challenging for the Fund to deliver an adequate internal rate of return.

The table below shows the impact on net interest income in Albanian Lek for a parallel shift in the yield curve by 100bp for the portfolio of fixed income securities.

Scenario	31 December 2015 Gain/(Loss)	31 December 2014 Gain/(Loss)
up 100bp	3,362,939	4,501,235
down 100bp	(3,362,939)	(4,501,235)

5.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. The Fund is exposed to the monthly settlement of periodic pension payment and payments to early withdrawal from the pension fund. The Administration Company policy is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. For early withdrawal from the Fund, the Administration Company has set timing limits for announcement of withdrawal, such as 30 days.

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5. Financial risks (continued)

5.2 Liquidity risk (continued)

Exposure to liquidity risk as at 31 December 2015 and 2014 is presented below:

31 December 2015	Carrying amount	Undiscounted Contractual Cash flows	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
Financial assets							
Cash and cash equivalents	46,295,406	46,295,406	9,895,406	36,400,000	-	-	-
Investment securities	422,176,657	637,133,045	2,443,375	4,143,235	27,121,135	117,882,980	485,542,320
Total financial assets	468,472,063	683,428,451	12,338,781	40,543,235	27,121,135	117,882,980	485,542,320
Financial liabilities							
Net Maturity GAP	468,472,063	683,428,451	12,338,781	40,543,235	27,121,135	117,882,980	485,542,320
Accumulated effect			12,338,781	52,882,016	80,003,151	197,886,131	683,428,451
31 December 2014							
Financial assets							
Cash and cash equivalents	32,346,505	32,363,294	32,363,294	-	-	-	-
Investment securities	278,211,752	381,595,603	22,844,548	-	-	117,934,342	240,816,713
Total financial assets	310,558,257	413,958,897	55,207,842	-	-	117,934,342	240,816,713
Financial liabilities							
Net Maturity GAP	310,558,257	413,958,897	55,207,842	-	-	-	-
Accumulated effect			55,207,842	55,207,842	55,207,842	173,142,184	413,958,897

Fondi i Pensionit Vullnetar "SIGAL"

Notes for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

5. Financial risks (continued)

5.3 Credit risk

Issuers of debt instruments contained in the portfolio could default on interest and principal payment. The deterioration in the credit quality also implies falling market value and liquidity for the underlying instrument. An increase in the credit spread could also decrease the market value of debt instruments leading to an overall decrease in the net asset value for the fund.

The strategic asset allocation is in compliance with regulation on "Permissible assets, limits on maximum amount of investments at the pension funds" dated 18 October 2010. The Investment Council has exclusively invested in debt instruments issued by the Albanian Government.

The Fund's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position as follows:

	31 December 2015	31 December 2014
Cash and cash equivalents (excluding cash on hand)	46,295,406	32,346,505
Financial assets held to maturity	422,176,657	278,211,752
Maximum exposure to credit risk	468,472,063	310,558,257

Cash and cash equivalents and investments held-to-maturity are placed at Tirana Bank (the Depository) rated B (-) as at the reporting date (2014: B (-)).

Investment policy

The investment strategy of the Sigal Voluntary Pension Fund's assets is based on the legislation and regulations issued by AFSA, as well as the internal policy of investment of the Management Company, proposed by the Investment Committee and approved by the Board of Administration of the Management Company.

The Administration Company is required to comply with the Regulation "On the permitted assets, the limitations and maximum limit of the investment of the pension funds" approved by the Financial Supervisory Authority with the Board's decision No. 1 dated 28 January 2010 as amended with the Board's decision No. 109 dated 18 October 2010.

Based on this regulation, the Fund's assets may only be invested in the following instruments:

- Treasury bills, bonds, and other securities issued and guaranteed by the Government of Albania;
- Treasury bills, bonds, and other securities issued and guaranteed by a member state of EU or OECD or from the respective central banks;
- Treasury bills, bonds, and other securities issued and guaranteed by the European Central Bank, the European Investment Bank and the World Bank;
- Licensed bank deposits with a maturity less than 12 months;
- Bonds classified as BBB or higher, according to Standard & Poor's or Fitch, Baa3 or higher according to Moody's or BBB (low) or higher according to DBRS (Dominion Bond Rating Service);

Shares or units of investment funds licensed in an EU member state and whose only objective is investment in the following indexes: CAC 40, DAX, FTSE 100, S&P 500, Industrial average of Dow Jones, Nikkei 225 (Japanese), Sensex (Indian), All Ordinaries (Australian) and the Hang Seng (Hong Kong) Index, or in bonds, treasury bills and other securities issued or guaranteed by a EU member state.

Fondi i Pensionit Vullnetar "SIGAL"**Notes for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***6. Fair value disclosures**

The Fund classifies for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Determining fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The Fund measures fair values using Level 2 of the fair value hierarchy that reflects the significance of the inputs used in making the measurements, which is explained as follow:

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Cash and cash equivalents

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

Investment in securities

Investment securities include treasury bills and government bonds. The fair value for these investment securities has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. Investments are carried at fair value.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at 31 December 2015 and 2014.

All fair value measurements disclosed are recurring fair value measurements.

	Held-to-maturity	Other amortised cost	Total carrying amount	Fair value
31 December 2015				
Cash and cash equivalents	-	46,295,406	-	46,295,406
Investment securities	422,176,657	-	422,176,657	422,176,657
31 December 2014				
Cash and cash equivalents	-	32,346,505	-	32,346,505
Investment securities	278,211,751	-	278,211,751	278,211,751

Fondi i Pensionit Vullnetar "SIGAL"**Notes for the year ended 31 December 2015***(all amounts are expressed in Lek, unless otherwise stated)***7. Cash and cash equivalents**

Cash and cash equivalents are composed as follows:

	2015	2014
Cash on hand	-	-
Cash at banks	46,295,406	32,346,505
<i>in foreign currency</i>	441,355	406,406
<i>in Lek</i>	45,854,051	31,940,099
Total	46,295,406	32,346,505

Cash at banks in Lek includes short-term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of Company, and earn interest at the respective short-term deposit rates.

As at 31 December 2015 the Fund has one short-term deposits as follows:

	Start date	Maturity date	Interest	Principal amount	Accrued interest
Tirana Banka	17 December 2015	18 January 2016	0.5%	Lek 36,400,000	Lek 15,956

8. Investment securities

Treasury Bonds	31.Dec.15	31.Dec.14
Purchase Price	413,000,000	273,000,000
Accrued Interest	9,176,657	5,211,752
Total	422,176,657	278,211,752

Investments in Albanian Government bonds classified as held to maturity amounted to Lek 422,166,102 with average maturity of 6.76 years and yields ranging from 6.45% to 9.52% per annum. (2014: Lek 278,211,752, average maturity of 5.5 years and yields ranging from 6.60% to 9.52% per annum)

Treasury Bonds**31 December 2015**

Purchase date	Maturity Date	Nominal Value	Purchase Value	Yield/ Coupon	Accrued interest	Total
07.01.2013	07.01.2016	11,500,000	11,500,000	8.55%	472,506	11,972,506
08.02.2013	08.02.2018	5,400,000	5,400,000	8.89%	189,357	5,589,357
18.03.2013	18.03.2020	19,000,000	19,000,000	9.52%	512,493	19,512,493
08.04.2013	08.04.2016	1,800,000	1,800,000	8.18%	33,538	1,833,538
07.05.2013	07.05.2018	21,700,000	21,700,000	8.45%	269,954	21,969,954
13.06.2013	13.06.2020	13,000,000	13,000,000	9.12%	55,987	13,055,987
09.08.2013	09.08.2018	26,400,000	26,400,000	7.70%	796,180	27,196,180
12.12.2013	12.12.2018	5,600,000	5,600,000	6.60%	18,480	5,618,480
16.12.2013	16.12.2020	36,900,000	36,900,000	7.45%	106,908	37,006,908
24.01.2014	24.01.2024	10,000,000	10,000,000	9.25%	400,833	10,400,833
17.03.2014	17.03.2021	12,500,000	12,500,000	7.64%	273,236	12,773,236
25.04.2014	25.04.2024	7,700,000	7,700,000	9.34%	129,852	7,829,852
08.05.2014	08.05.2019	9,500,000	9,500,000	6.65%	91,253	9,591,253
16.06.2014	16.06.2021	8,000,000	8,000,000	7.67%	23,862	8,023,862
13.08.2014	13.08.2019	14,100,000	14,100,000	6.62%	355,218	14,455,218
15.09.2014	15.09.2021	8,700,000	8,700,000	7.77%	197,164	8,897,164
24.10.2014	24.10.2024	26,700,000	26,700,000	9.25%	460,267	27,160,267
10.11.2014	10.11.2019	6,000,000	6,000,000	6.62%	55,167	6,055,167
09.12.2014	09.12.2021	6,500,000	6,500,000	7.85%	29,765	6,529,765
23.01.2015	23.01.2025	32,200,000	32,200,000	9.25%	1,298,957	33,498,957
05.05.2015	04.05.2020	10,000,000	10,000,000	6.45%	100,333	10,100,333
16.06.2015	16.06.2022	19,800,000	19,800,000	7.80%	60,060	19,860,060
24.07.2015	24.07.2025	67,500,000	67,500,000	8.90%	2,603,250	70,103,250
16.09.2015	16.09.2022	18,000,000	18,000,000	7.78%	404,560	18,404,560
23.10.2015	23.10.2025	14,500,000	14,500,000	8.80%	237,477	14,737,478
		413,000,000	413,000,000		9,176,657	422,176,657

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Notes for the year ended 31 December 2015

(all amounts are expressed in Lek, unless otherwise stated)

8. Investment securities (continued)

31 December 2014

Purchase date	Maturity Date	Nominal Value	Purchase Value	Yield/ Coupon	Accrued interest	Total
21.01.2012	21.01.2015	22,000,000	22,000,000	7.69	747,212	22,747,212
07.01.2013	07.01.2016	11,500,000	11,500,000	8.55	472,506	11,972,506
08.04.2013	08.04.2016	1,800,000	1,800,000	8.18	33,538	1,833,538
08.02.2013	08.02.2018	5,400,000	5,400,000	8.89	189,357	5,589,357
07.05.2013	07.05.2018	21,700,000	21,700,000	8.45	269,954	21,969,954
09.08.2013	09.08.2018	26,400,000	26,400,000	7.70	796,180	27,196,180
12.12.2013	12.12.2018	5,600,000	5,600,000	6.60	18,480	5,618,480
08.05.2014	08.05.2019	9,500,000	9,500,000	6.65	91,253	9,591,253
13.08.2014	18.08.2019	14,100,000	14,100,000	6.62	355,218	14,455,218
10.11.2014	10.11.2019	6,000,000	6,000,000	6.62	55,167	6,055,167
18.03.2013	18.03.2020	19,000,000	19,000,000	9.52	512,493	19,512,493
13.06.2013	13.06.2020	13,000,000	13,000,000	9.12	55,987	13,055,987
16.12.2013	16.12.2020	36,900,000	36,900,000	7.45	106,908	37,006,908
17.03.2014	17.03.2021	12,500,000	12,500,000	7.64	273,236	12,773,236
16.06.2014	16.06.2021	8,000,000	8,000,000	7.67	23,862	8,023,862
15.09.2014	15.09.2021	8,700,000	8,700,000	7.77	197,164	8,897,164
09.12.2014	09.12.2021	6,500,000	6,500,000	7.85	29,765	6,529,765
24.01.2014	24.01.2024	10,000,000	10,000,000	9.25	400,833	10,400,833
25.04.2014	25.04.2024	7,700,000	7,700,000	9.34	129,852	7,829,852
24.10.2014	24.10.2024	26,700,000	26,700,000	9.25	452,787	27,152,787
		273,000,000	273,000,000		5,211,752	278,211,752

9. Interest income from securities

	2015	2014
Income from treasury bonds	27,808,556	19,451,847
Total	27,808,556	19,451,847

10. Other interest income

	2015	2014
Interest income from short-term deposits	236,052	32,387
Total	236,052	32,387

11. Commitment and contingencies

Legal contingencies In the ordinary course of business, the Fund may be involved in various claims and legal actions. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Fund's financial position or changes in net assets, other than those for which a provision is already been included in these financial statements.

12. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control with the Fund. A number of transactions are entered into with related parties in the normal course of business. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Net Asset Value of employer contributions	2015	2014
Sigal Uniqa Group Austria sh.a. employees	50,293,396	45,493,396
Management fees paid to administration company		
Sh.a.f.p. Sigal Life Uniqa Group Austria sh.a.	11,417,685	7,599,826

13. Events after the reporting date

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