

**Shoqëria Administruese e Fondit të Pensionit  
Sigal Life UNIQA Group Austria sh.a.  
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 Shoqëria Administruese e Fondit të Pensionit Sigal Life Uniqa Group Austria sh.a. (the "Company"), 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 equity 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 financial statements present fairly, in all material respects, the financial position of the Company 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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**Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a.**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2015**  
*(all amounts are expressed in Lekë, unless otherwise stated)*

**Statement of Financial Position**

	Note	31 December 2015	31 December 2014
<b>ASSETS</b>			
Cash and cash equivalents	6	1,191,228	10,321,029
Term deposits with banks	7	2,846,505	7,563,289
Investment in securities	8	15,000,000	-
Property and equipment	9	2,581,885	2,889,724
Corporate income tax receivable		390,000	390,000
Other assets		107,064	112,085
<b>TOTAL ASSETS</b>		<b>22,116,682</b>	<b>21,276,127</b>
<b>LIABILITIES</b>			
Other liabilities	10	1,420,606	1,723,840
<b>TOTAL LIABILITIES</b>		<b>1,420,606</b>	<b>1,723,840</b>
<b>EQUITY</b>			
Paid in capital	11	57,028,800	57,028,800
Accumulated losses		(36,332,724)	(37,476,513)
<b>TOTAL EQUITY</b>		<b>20,696,076</b>	<b>19,552,287</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,116,682</b>	<b>21,276,127</b>

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

These financial statements have been approved by the management of 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  
Administrator



Junida Zavalani  
Finance Specialist



**Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a.**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2015**  
*(all amounts are expressed in Lekë, unless otherwise stated)*

**Statement of Profit and Loss and Other Comprehensive Income**

	Note	2015	2014
Fund administration income	12	11,954,758	8,542,497
Interest income	13	703,769	527,248
<b>Net finance income</b>		<b>12,658,527</b>	<b>9,069,745</b>
Personnel expenses	14	(8,965,598)	(9,409,887)
Depreciation	9	(307,839)	(352,832)
Administrative expenses	15	(2,241,301)	(1,093,128)
<b>Total expenses</b>		<b>(11,514,738)</b>	<b>(10,855,847)</b>
<b>Profit/(loss) before tax</b>		<b>1,143,789</b>	<b>(1,786,102)</b>
Income tax expense	16	-	-
<b>Profit/(loss) for the year</b>		<b>1,143,789</b>	<b>(1,786,102)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>1,143,789</b>	<b>(1,786,102)</b>

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

**Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a.**  
**Statement of changes in equity for the year ended 31 December 2015**  
*(all amounts are expressed in Lekë, unless otherwise stated)*

**Statement of Changes in Equity**

	Share capital	Accumulated losses	Total
<b>Balance at 1 January 2014</b>	<b>54,028,800</b>	<b>(35,690,411)</b>	<b>18,338,389</b>
Loss for the year	-	(1,786,102)	(1,786,102)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(1,786,102)</b>	<b>(1,786,102)</b>
Increase of share capital	3,000,000	-	3,000,000
<b>Balance at 31 December 2014</b>	<b>57,028,800</b>	<b>(37,476,513)</b>	<b>19,552,287</b>
<b>Total comprehensive income for the period</b>			
Profit for the year	-	1,143,789	1,143,789
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,143,789</b>	<b>1,143,789</b>
<b>Balance at 31 December 2015</b>	<b>57,028,800</b>	<b>(36,332,724)</b>	<b>20,696,076</b>

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

**Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a.**  
**Statement of cash flow for the year ended 31 December 2015**  
*(all amounts are expressed in Lekë, unless otherwise stated)*

**Statement of Cash Flows**

	Note	2015	2014
<b>Cash flows from operating activities</b>			
<b>Profit/(Loss) before tax</b>		<b>1,143,789</b>	<b>(1,772,915)</b>
<i>Adjustments for:</i>			
Depreciation	9	307,839	352,832
Investment income	13	(703,769)	(527,248)
		<b>747,859</b>	<b>(1,947,331)</b>
<i>Changes in operating assets and liabilities:</i>			
Change other assets		5,021	26,345
Change in other liabilities	10	(303,233)	7,312
<b>Cash from/(used in) operating activities</b>		<b>449,647</b>	<b>(1,913,674)</b>
Income tax paid		-	-
Interest received		520,552	475,888
<b>Net cash from/(used in) operating activities</b>		<b>970,199</b>	<b>(1,437,786)</b>
<b>Cash flows from investing activities</b>			
Change in term deposits	8	4,900,000	8,242,717
Change in investments		(15,000,000)	-
<b>Net cash (used in)/from investing activities</b>		<b>(10,100,000)</b>	<b>8,242,717</b>
<b>Cash flows from financing activities</b>			
Paid in capital	11	-	3,000,000
<b>Net cash from financing activities</b>		<b>-</b>	<b>3,000,000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(9,129,801)</b>	<b>9,804,931</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>10,321,029</b>	<b>516,098</b>
<b>Cash and cash equivalents at the end of year</b>	<b>6</b>	<b>1,191,228</b>	<b>10,321,029</b>

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

**Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria Sh.a.**  
**Notes to the Statements for the year ended 31 December 2015**  
*(all amounts are expressed in Lekë, unless otherwise stated)*

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**1. General information**

Shoqëria Administruese e Fondit të Pensionit SIGAL LIFE UNIQA GROUP AUSTRIA. Sh.a, formerly known as Instituti Privat i Pensioneve CAPITAL I.P.P. sh.a. (the "Company") is an Albanian joint stock company based in Tirana. The Company was registered in the Albanian Commercial Register by Tirana District Court decision No. 34877, dated 21.01.2006.

The Company is owned 51% by SIGAL LIFE UNIQA Group AUSTRIA and 49% by Mr. Avni Ponari.

The Company's ultimate and controlling party is Sigal Uniqä Group Austria Sh.a.

Operations are directed by the Supervisory Board which is composed of five members:

Mr. Adrian Totokoçi

Mr. Klement Mersini

Mr. Naim Hasa

Mr. Abdyl Sarja

Mr. Edvin Hoxhaj

The Supervisory Board appointed the Director:

Mr. Naim Hasa

***Principal Activity***

On 30 March 2011, the Albanian Financial Supervisory Authority ("AFSA") licensed "Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria sh.a" to act as a management company for voluntary pension funds in collection and investment of voluntary pension funds and in processing pension payments. This license was notified and submitted to the Company officially from AFSA on 30 March 2011.

***Registered address***

The Company's head 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 the Board of Directors 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 5.



## **2. Summary of significant accounting policies (continued)**

### **b) Foreign currency translation**

#### *Functional and presentation currency*

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

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'.

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

#### *i) Recognition*

The Company'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.

## 2. Summary of significant accounting policies (continued)

### c) Financial Instruments

#### 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 Company 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 Company 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 Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company 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 Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

#### 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 Company's trading activity.

## **2. Summary of significant accounting policies (continued)**

### **c) Financial Instruments (continued)**

#### *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 Company 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 Company 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 Company 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) 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 the effective interest method and interest receivable is reflected in other receivables.

#### **f) Investment securities**

Investment securities are debt investments that the Company 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.

## **2. Summary of significant accounting policies (continued)**

### **g) Property and equipment**

#### *i. Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

#### *ii. Subsequent cost*

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

#### *iii. Depreciation*

Depreciation is recognized in profit or loss using the reducing balance method. The depreciation rates for the current and comparative periods are as follows:

<b>Category</b>	<b>2015</b>	<b>2014</b>
Vehicles	10	10
Office equipment	10	10
Computer and installations	25	25

### **h) Impairment of non-financial assets**

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

### **i) Income taxes**

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## **2. Summary of significant accounting policies (continued)**

### **i) Income taxes (continued)**

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised (2014: 15%, 2013:15%). Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

#### ***Uncertain tax positions***

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

#### ***Value added tax***

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

### **i) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

#### ***Dividends***

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the note of events after the reporting period.

### **j) Investment Income**

Investment income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial 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. Investment income presented in profit or loss includes interest on financial assets of the company.

## **2. Summary of significant accounting policies (continued)**

### **k) Employee benefits**

#### *(i) Compulsory social security*

The Company makes compulsory social security contributions that provide pension benefits for employees upon retirement. The respective social insurance authorities are responsible for providing the legally set minimum threshold for pension under a defined contribution pension plan. The Company's contribution to the benefit pension plan is charged to profit and loss as incurred.

#### *(ii) Paid annual leave*

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

### **l) Commission income**

Revenue comprises the fair value of the consideration received or receivable for the services in the ordinary course of the Company's activities. Revenue is shown net of value added tax.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Management fee is calculated on daily basis as 3% of Net Assets Value of the pension fund.

Early termination fee, paid by the contributors for early withdrawal from the pension, is calculated as 15% of the contributor's fund net value (excluding withholding tax) at the day of withdrawal.

## **3. Adoption of new or revised standards and interpretation**

The following new standards and interpretations became effective for the Company 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 IFRSs 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 Company 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).

### **3. Adoption of new or revised standards and interpretation (continued)**

- 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 Company's financial statements except for IFRS 9 which shall impact the Company's classification of financial assets and the basis for assessment of their impairment. IFRS 16 is expected to have an impact on the companies operating leases recognition and presentation. The company is currently assessing the impact of these two new standards in its financial statements.

### **4. Financial risk management**

The Company'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.

In accordance with Law no.10197 dated 10 December 2009 "On voluntary pension funds", the Management Company has set up a separate function dedicated to risk management. The risk management role in the Company's structure entails responsibility related to the management of risks reporting directly to the Supervisory Board.

The risk management policy was developed based on the underlying structure of the Pension Fund managed by the Company and the risk tolerance put forward in the Fund's investment policy and legislation requirements. of the Pension Fund manages a defined contribution plan where contributions are certain while benefits remain uncertain.

Financial risk management at the Company starts from identifying risks, setting appropriate resources for risk management, setting limits on exposures, monitoring limits, and adjusting exposures to the required intervals.

#### **Risk Management Framework**

The Fund's activity is monitored and managed by the Management Company in accordance with Law no. 10197 dated 10 December 2009 "On voluntary pension funds", the Management Company should have a separate function dedicated to risk management.

#### **4. Financial risk management (continued)**

##### **Risk Management Framework (continued)**

The Company's Supervisory Board competencies include control and supervision over the implementation of commercial policies, business development of the Company, the approval of financial and investment policies, the appointment and dismissal of the administrators or members of the Investment Committee.

The Investment Committee members are comprised of the following:

Mr. Naim Hasa, General Director of the Administration Company.

Mr. Klement Mersini, Finance Manager of "Sigal Uniqa Group Austria Sh.a"

Mr. Ilir Hoti, Financial advisor of "Sigal Uniqa 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 meets quarterly in order to develop investment policies and take investment decisions, assess investment performance, allocate and modify the investment portfolio of the Company and Fund. The Investment Committee relies on qualitative and quantitative analysis of potential investments, market options and performance, risk profile and other technical analysis in accordance with the limitations and maximum investment limits determined by legislation and regulations.

##### **3.1 Market risk**

The Company is exposed to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instruments, 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 are presented below and they 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 Company 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 and recognized monetary assets and monetary liabilities denominated in other currencies fluctuates due to changes in foreign exchange rates.



#### 4. Financial risk management (continued)

##### 4.1 Market risk (continued)

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:

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

Foreign exchange exposures contain the risk of unfavourable moves in foreign exchange rates. Financial assets and liabilities in foreign currencies as of 31 December 2014 and 2013 are composed of the following:

##### 31 December 2015

Assets	LEK	EUR	Total
Cash on hand and at banks	1,191,228	-	1,191,228
Term deposits	2,846,505	-	2,846,505
Investment in securities	15,000,000	-	15,000,000
<b>Total Financial Assets</b>	<b>19,037,733</b>	<b>-</b>	<b>19,037,733</b>
<b>Liabilities</b>			
Other liabilities	1,420,608	-	1,420,608
<b>Total Financial Liabilities</b>	<b>1,420,608</b>	<b>-</b>	<b>1,420,608</b>
<b>Net Position</b>	<b>17,617,125</b>	<b>-</b>	<b>17,617,125</b>

##### 31 December 2014

Assets	LEK	EUR	Total
Cash on hand and at banks	10,321,029	-	10,321,029
Term deposits	7,563,289	-	7,563,289
<b>Total Financial Assets</b>	<b>17,884,318</b>	<b>-</b>	<b>17,884,318</b>
<b>Liabilities</b>			
Other liabilities	1,710,652	-	1,710,652
<b>Total Financial Liabilities</b>	<b>1,710,652</b>	<b>-</b>	<b>1,710,652</b>
<b>Net Position</b>	<b>16,173,666</b>	<b>-</b>	<b>16,173,666</b>

##### 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 Company 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 Company to deliver an adequate internal rate of return.

**4. Financial risk management (continued)**

**b) Interest rate risk (continued)**

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.

<b>Scenario</b>	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>Gain/(Loss)</b>	<b>Gain/(Loss)</b>
up 100bp	190,377	178,843
down 100bp	(190,377)	(178,843)

**c) Liquidity risk**

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. The Company policy is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed.

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

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**4. Financial risk management (continued)**

<b>31 December 2015</b>	<b>Carrying amount</b>	<b>Contractual Cash flows</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>
<b>Financial assets</b>						
Cash and cash equivalents	1,191,228	1,191,228	1,191,228	-	-	-
Term deposit	2,846,505	2,846,505	-	-	2,846,505	-
Investment securities	15,000,000	20,948,000	-	-	1,034,000	19,914,000
	<b>19,037,733</b>	<b>24,985,733</b>	<b>1,191,228</b>	<b>-</b>	<b>3,880,505</b>	<b>19,914,000</b>
<b>Financial liabilities</b>						
Other liabilities	1,420,608	1,420,608	216,449	134,497	1,069,662	-
	<b>1,420,608</b>	<b>1,420,608</b>	<b>216,449</b>	<b>134,497</b>	<b>1,069,662</b>	<b>-</b>
<b>Net Maturity GAP</b>	<b>17,617,125</b>	<b>23,565,125</b>	<b>974,779</b>	<b>(134,497)</b>	<b>2,810,843</b>	<b>19,914,000</b>
<b>Accumulated effect</b>	<b>-</b>	<b>-</b>	<b>974,779</b>	<b>840,282</b>	<b>3,651,125</b>	<b>23,565,125</b>
<b>31 December 2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	10,321,029	10,321,029	321,029	10,000,000	-	-
Term deposit	7,563,289	7,563,289	-	-	7,563,289	-
	<b>17,884,318</b>	<b>17,884,318</b>	<b>321,029</b>	<b>10,000,000</b>	<b>7,563,289</b>	<b>-</b>
<b>Financial liabilities</b>						
Other liabilities	1,723,841	1,723,841	294,427	26,788	1,402,626	-
	<b>1,723,841</b>	<b>1,723,841</b>	<b>294,427</b>	<b>26,788</b>	<b>1,402,626</b>	<b>-</b>
<b>Net Maturity GAP</b>	<b>16,160,477</b>	<b>16,160,477</b>	<b>26,602</b>	<b>9,973,212</b>	<b>6,160,663</b>	<b>-</b>
<b>Accumulated effect</b>	<b>-</b>	<b>-</b>	<b>26,602</b>	<b>9,999,814</b>	<b>16,160,477</b>	<b>-</b>

#### **4. Financial risk management (continued)**

##### **4.2 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 and contains only debt instruments issued by Treasury of Albanian Government.

Debt instruments according to credit rating are as follows:

<b>Debt Instruments</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash and cash equivalents (excluding cash on hand)	1,191,228	10,321,029
Term Deposits (note 7)	2,600,000	7,500,000
Accrued interest of deposits	246,505	63,289
<b>Carrying Amount</b>	<b>4,037,733</b>	<b>17,884,318</b>

#### **5. Critical accounting estimates and judgement**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

##### **a) Fair value disclosures**

Effective from 1 January 2013, the Fund adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Fund to classify, 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.

**5. Critical accounting estimates and judgment (continued)**

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 31 December 2014.

All fair value measurements disclosed are recurring fair value measurements.

	<b>Held-to-maturity</b>	<b>Loans and receivables</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 December 2015</b>					
Cash and cash equivalents	-	1,191,228	-	1,191,228	1,191,228
Term deposits	-	2,846,505	-	2,846,505	2,846,505
Investment securities	15,000,000	-	-	15,000,000	15,000,000
<b>31 December 2014</b>					
Cash and cash equivalents	-	10,321,029	-	10,321,029	10,321,029
Term deposits	-	7,563,289	-	7,563,289	7,563,289
Investment securities	-	-	-	-	-

**6. Cash and cash equivalents**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash on hand	-	-
Cash at banks	1,191,228	10,321,029
<b>Total</b>	<b>1,191,228</b>	<b>10,321,029</b>

Term deposit with maturity less than 3 months has to be classified as cash and cash equivalents. All cash on hand and at banks meet the definition of cash and cash equivalents.

As at 31 December 2015 Company's short-term deposits classified as cash and cash equivalents are nil (2014: Lek 10,000,000)

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**7. Term deposits with banks**

	31 December 2015	31 December 2014
Term deposits	2,600,000	7,500,000
Accrued interest	246,505	63,289
<b>Total</b>	<b>2,846,505</b>	<b>7,563,289</b>

Term deposits comprise the following Lek currency deposits at Tirana Bank as at 31 December 2014 and 2013:

	2015		2014	
	Amounts	Yield in %	Amounts	Yield in %
In Lek	2,600,000	1.6 - 2.2	7,500,000	1.6 - 2.2
Accrued interest	246,505		63,289	
<b>Total</b>	<b>2,846,505</b>		<b>7,563,289</b>	

**8. Investment in securities**

The company has invested Lek 15,000,000 in government bonds during 2015 (2014: nil) with maturity of 5 and 7 years and interest rates from 6,45% to 7,78%.

**9. Property plant and equipment**

	Office equipment	Computer installation	Vehicles	Total
<b>Cost</b>				
At 1 January 2014	1,266,818	645,637	4,041,000	5,953,455
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2014</b>	<b>1,266,818</b>	<b>645,637</b>	<b>4,041,000</b>	<b>5,953,455</b>
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2015</b>	<b>1,266,818</b>	<b>645,637</b>	<b>4,041,000</b>	<b>5,953,455</b>
<b>Accumulated depreciation</b>				
At 1 January 2014	608,948	447,121	1,654,830	2,710,899
Charge for the period	60,430	53,479	238,923	352,832
<b>At 31 December 2014</b>	<b>669,378</b>	<b>500,600</b>	<b>1,893,753</b>	<b>3,063,731</b>
Charge for the period	68,229	32,081	207,529	307,839
<b>At 31 December 2015</b>	<b>737,607</b>	<b>532,681</b>	<b>2,101,282</b>	<b>3,371,570</b>
<b>Net Book Value</b>				
<b>At 31 December 2014</b>	<b>597,440</b>	<b>145,037</b>	<b>2,147,247</b>	<b>2,889,724</b>
<b>At 31 December 2015</b>	<b>529,211</b>	<b>112,956</b>	<b>1,939,718</b>	<b>2,581,885</b>

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**10. Other liabilities**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Suppliers	1,069,662	1,367,773
Social insurance and other taxes	206,449	273,426
Other	144,497	82,641
<b>Total</b>	<b>1,420,608</b>	<b>1,723,840</b>

**11. Share capital**

The shareholding structure as at 31 December 2015 and 2014 was as follows:

	<b>31 December 2015</b>			<b>31 December 2014</b>		
	%	No. of shares	Equivalent in Lek	%	No. of shares	Equivalent in Lek
Sigal Life Uniqa Group Austria Sh.a.	51	24,237	29,084,688	51	24,237	29,084,688
Avni Ponari	49	23,287	27,944,112	49	23,287	27,944,112
<b>Total</b>	<b>100</b>	<b>47,524</b>	<b>57,028,800</b>	<b>100</b>	<b>47,524</b>	<b>57,028,800</b>

The table below reconciles the number of shares outstanding at the beginning and end of the period:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Number of authorized and fully paid shares at the beginning of the period	45,024	45,024
Number of shares issued during the period	2,500	2,500
<b>Number of authorized and fully paid shares at the end of the period</b>	<b>47,524</b>	<b>47,524</b>

The minimum required share capital defined by article 21 of law no. 10197 dated 12 December 2009 "On voluntary pension funds" is Lek 15,625,000.

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**12. Fund administration income**

	<b>2015</b>	<b>2014</b>
Management fee	11,417,685	7,599,826
Early termination fee	537,073	942,671
<b>Total</b>	<b>11,954,758</b>	<b>8,542,497</b>

Management fee is calculated on daily basis as 3% of Net Assets Value of the pension fund.  
 Early termination fee, paid by the contributors for early withdrawal from the pension, is calculated as 15% of the contributor's fund net value (excluding withholding tax) at the day of withdrawal.

**13. Interest income**

	<b>2015</b>	<b>2014</b>
Interest income from term deposits	703,769	527,248
<b>Total</b>	<b>703,769</b>	<b>527,248</b>

**14. Personnel expenses**

	<b>2015</b>	<b>2014</b>
Personnel expenses	8,081,390	8,531,722
Social contribution	869,205	863,264
Health contribution	15,004	14,901
<b>Total</b>	<b>8,965,599</b>	<b>9,409,887</b>

Total number of employees as at 31 December 2015 is 7 (2014: 7 employees).

**15. Administrative expenses**

	<b>2015</b>	<b>2014</b>
Depositary fee	812,604	455,231
Software	408,066	-
Audit expenses	336,390	217,564
Other	161,110	83,704
AFSA fees	155,711	103,002
Rent	155,000	-
Bank commissions	113,837	52,429
Communication	56,389	53,007
Taxes and fees	25,914	25,120
Representation expenses	16,280	93,451
Maintenance	-	9,620
<b>Total</b>	<b>2,241,301</b>	<b>1,093,128</b>

Depositary fee is calculated on daily basis as 0.2% of Net Assets Value of the pension fund. AFSA fee is calculated on monthly basis as 0.05% of Net Assets Value of the pension fund.



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**16. Income tax expense**

The annual tax calculation is as follows:

	2015	2014
<b>Current tax expense</b>	-	-
Current year	-	-
Deferred tax expense/(benefit)	-	-
	-	-

Reconciliation of the income tax expense for the year ending 31 December 2014 and 2013 as follows:

		2015		2014
Profit/(Loss) for the period		1,143,789		(1,772,914)
Income tax expense using the domestic tax rate	15%	171,568	15%	(265,937)
Non-deductible expenses	-	-	-1%	(1,101)
Utilisation of tax losses brought forward	15%	(171,568)		
Non-recognized temporary tax differences	-	-	14%	267,038
		-		-

In accordance with Albanian tax regulations, the applicable income tax rate for 2015 is 15% (2014:15%). Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued.

Albanian tax laws and regulations are subject to interpretation by the tax authorities. Disallowable expenses for tax purposes represent expenses not supported with adequate documentation or expenditure not considered eligible for fiscal purposes. Based on the Law "On accounting and financial statements", starting from 1 January 2008 the Company must report in accordance with IFRS.

The Company did not recognize deferred tax assets relating to tax losses carried forward, due to the fact that it is not certain there will be sufficient taxable profits against which deferred tax asset will be utilized.

**17. Commitment and contingencies**

**a) Legal**

In the normal course of business the Company receives legal claims which are not related to its core business; the Company's management is of the opinion that no material losses will be incurred in relation to any such legal claims outstanding at 31 December 2015.

**b) Lease commitments**

The Company has not entered into any non-cancellable operating lease commitments for the years ended 31 December 2015 and 2014.

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**18. Related party transactions**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties with which the Company had transactions with are listed below:

<b>Related party</b>	<b>Relationship</b>
Sigal UNIQA Group Austria Sh.a	Ultimate shareholder
Sigal Life Uniqa Group Austria Sh.a.	Shareholder
Avni Ponari	Shareholder
Naim Hasa	General Director
Fondi i Pensionit Vullnetar Sigal	Pension Fund

During the year the Company had the following transaction with related parties:

	<b>2015</b>	<b>2014</b>
<b>Revenues from:</b>		
Fondi i Pensionit Vullnetar Sigal	11,417,685	7,599,826
<b>Total</b>	<b>11,417,685</b>	<b>7,599,826</b>
<b>Expenses to:</b>		
Key management personnel	3,330,960	2,443,400
<b>Total</b>	<b>3,330,960</b>	<b>2,443,400</b>

**19. Events after the reporting date**

There are no significant events after the reporting period that require adjustment or disclosure to these financial statements.