Shoqëria Administruese e Fondit të Pensionit Sigal Life Uniqa Group Austria sh.a.

Financial Statements for the year ended 31 December 2017

(with Independent auditors' report thereon)

Content

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Shoqëria Administruese e Fondit të Pensioneve Sigal Life Uniqa Group Austria sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with Institute of Authorized Chartered Auditors of Albania Code of Ethics (IEKA Code), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and IEKA Code.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report prepared by management in accordance with Article 75 of the Law no. 10197 “On voluntary pension funds” and includes the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other Matter

The financial statements of the Company for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 May 2017.

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

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fatos Beqja
Statutory Auditor
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"Deshmoret e Kombit" Blvd.
Twin Towers Building I, floor 13
Tirana, Albania

Tirana, 30 April 2018

Statement of financial position

	Note	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	8	599,269	22,049
Term deposits with banks	9	6,608,079	6,650,912
Investment in securities	10	24,277,697	15,217,124
Equipment	11	2,067,981	2,309,546
Other assets	12	2,443,443	1,856,561
TOTAL ASSETS		**35,996,469**	**26,056,192**
LIABILITIES			
Other liabilities	13	1,593,557	1,522,143
Corporate income tax liability		1,067,004	390,029
TOTAL LIABILITIES		**2,660,561**	**1,912,172**
EQUITY			
Paid in capital	14	57,028,800	57,028,800
Accumulated losses		(23,692,892)	(32,884,780)
TOTAL EQUITY		**33,335,908**	**24,144,020**
TOTAL EQUITY AND LIABILITIES		**35,996,469**	**26,056,192**

These financial statements have been approved by the management of Shoqëria Administruese e Fondit te Pensionit Sigal Life Uniqa Group Austria sh.a. on 30 April 2018 and signed on its behalf by:

Naim Hasa
Administrator

SIGAL UNIQA GROUP AUSTRIA
Life
SHOQËRIA ADMINISTRUESE E FONDEVE TE PENSIONEVE
Drejtoria e Përgjithshme
TIRANË

Junida Zavalani
Finance Manager

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

	Note	Year ended 31 December 2017	Year ended 31 December 2016
Fund administration income	15	24,801,337	17,724,620
Interest income	16	1,075,740	1,055,530
Net finance income		**25,877,077**	**18,780,150**
Personnel expenses	17	(11,084,497)	(10,932,111)
Depreciation	11	(241,565)	(272,339)
Administrative expenses	18	(3,737,029)	(3,347,727)
Total expenses		**(15,063,091)**	**(14,552,177)**
Profit before tax		**10,813,986**	**4,227,973**
Income tax expense	19	(1,622,098)	(780,029)
Profit for the year		**9,191,888**	**3,447,944**
Other comprehensive income		-	-
Total comprehensive income for the year		**9,191,888**	**3,447,944**

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

Statement of changes in equity

	Share capital	**Accumulated losses**	**Total**
Balance at 1 January 2016	57,028,800	(36,332,724)	20,696,076
Profit for the year	-	3,447,944	3,447,944
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	3,447,944	3,447,944
Balance at 31 December 2016	**57,028,800**	**(32,884,780)**	**24,144,020**
Balance at 1 January 2017	57,028,800	(32,884,780)	24,144,020
Profit for the year	-	9,191,888	9,191,888
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	9,191,888	9,191,888
Balance at 31 December 2017	**57,028,800**	**(23,692,892)**	**33,335,908**

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Profit before tax		**10,813,986**	**4,227,973**
Adjustments for:			
Depreciation	11	241,565	272,339
Interest income		(1,075,740)	(1,055,530)
Cash flows from operating activities before changes in operating assets and liabilities		**9,979,811**	**3,444,782**
Changes in working capital			
Change other assets		(586,882)	(1,749,497)
Change in other liabilities		71,414	101,537
Cash from changes in operating assets and liabilities		**(515,468)**	**(1,647,960)**
Income tax paid		(945,123)	**-**
Interest received		1,058,000	1,033,999
Net cash from operating activities		**9,577,220**	**2,830,821**
Cash flows from investing activities			
Acquisition of term deposits with banks		-	(4,000,000)
Acquisition of investment securities		(9,000,000)	-
Net cash used in investing activities		**(9,000,000)**	**(4,000,000)**
Net increase/(decrease) in cash and cash equivalents		577,220	(1,169,179)
Cash and cash equivalents at the beginning of the year		22,049	1,191,228
Cash and cash equivalents at the end of year	**8**	**599,269**	**22,049**

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

1. General information

Shoqëria administruese e fondit të pensioneve (Sh.A.F.P) Sigal Life Uniqa Group Austria sh.a. (the "Company"), is an Albanian joint stock company incorporated in Albania. The Company was registered in the Albanian Commercial Register by Tirana District Court decision No. 34877, dated 21 January 2006.

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.

Registered address

The Company's head office is in "Bulevardi Zogu I" street, No. 1, Tirana, Albania. The Company is owned 51% by Sigal Life Uniqa Group Austria Sh.a. and 49% by Mr. Avni Ponari. The Company's ultimate and controlling party is Uniqa Insurance AG. 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 has appointed Mr. Naim Hasa as Administrator of the Company. As of 31 December 2017, the Company has 6 employees (2016: 6 employees).

The Management Company and Depositary are required to maintain the assets, operations and records of the Pension Fund separately from their own assets, operations and records. Therefore, the accounting records of the Pension Fund and the Management Company are maintained separately and respective financial statements are prepared separately as well.

2. Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Details of the Company's accounting policies are included in Note 4.

3. Functional and presentation currency

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

4. Significant accounting policy

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

(a) Basis of measurement

These financial statements have been prepared on the historical cost basis

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the Albanian Lek at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the Albanian Lek at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the Albanian Lek at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

4. Significant accounting policy (continued)

(c) Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial 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 may be revised based on the contractual terms. The effective interest rate for financial liabilities is established on initial recognition and is revised subsequently based on the contractual terms.

The calculation of the effective interest rate includes all fees and points 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 and expense presented in profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(d) Fees and commission

Fee and commission income arises on financial services provided by the Company including management fee and are calculated as the related service is provided. Early termination fee are calculated over the withdrawn amount of the contributor’s net assets, at the day of withdrawal.

Fees and commission expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

(e) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(f) 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.

(g) Income tax expense

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.*

(i) Current Tax

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

4. Significant accounting policy (continued)

(g) Income tax expense (continued)

(ii) Deferred Tax

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

(h) Financial Instruments

The Company classifies non-derivative financial assets into loans and receivables and held to maturity assets and non-derivative financial liabilities into other financial liabilities.

(i) Non-derivative financial assets and financial liabilities – Recognition and de recognition

The Company initially recognizes receivables on the date when they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

(ii) Non-derivative financial assets – Measurement

Loans and receivables and Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(iii) Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize 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 activity.

4. Significant accounting policy (continued)

(h) Financial Instruments (continued)

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

(vi) Identification and measurement of impairment

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advances on terms that the Company would not otherwise consider, indication that the borrower will enter in bankruptcy or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment at both collective and specific levels. Receivables at the collective level are assessed for impairment by grouping together exposures with similar credit characteristics. Receivables at the specific level are identified based on objective evidence of a risk level that exceeds the historical risk level of the exposure such as default, restructuring, deteriorated economic conditions and delinquency .. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

4. Significant accounting policy (continued)

(i) 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 from the date of acquisition. Cash and cash equivalents are carried at amortised cost using the effective interest method. Term deposits with original maturities of more than three months from the date of acquisition are classified as term deposits with banks as a sub-category of loans and receivable financial assets.

(j) 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.

(k) 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.

(l) Equipment

(i) Recognition and measurement

Equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of the equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Any gain or loss on disposal of an item of equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized with other income in profit or loss.

(ii) Subsequent costs

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 on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are as follows:

Computer installation	4 years
Vehicles	10 years
Office equipment	10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(m) Impairment of non-financial assets

At each end of each reporting period management assesses whether there is any indication of impairment of property 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.

4. Significant accounting policy (continued)

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017; however, the Company has not applied the following new or amended standards in preparing these financial statements.

IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of IFRS 9 implementation and does not expect that the new Standard, when initially applied, will have material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance standard, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's current revenues streams are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of offices. As at 31 December 2017, the Company's future minimum lease payments under operating leases amounted to Lek 385 thousand (see Note 20).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

4. Significant accounting policy (continued)

(n) New standards and interpretations not yet adopted (continued)

Other standards

The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Transfers of Investment Property (Amendments to IAS 40);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

5. Financial risk management

The company is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note contains information regarding the company's exposure to the risks listed above, and policies and procedures for managing those risks.

Risk Management Framework

In accordance with Law no.10197 dated 10 December 2009 "On voluntary pension funds", the 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.

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.

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

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

	31 December 2017	**31 December 2016**
USD	111.10	128.17
Euro	132.95	135.23

Foreign exchange exposures contain the risk of unfavourable moves in foreign exchange rates. There are no financial assets or financial liabilities in foreign currencies as of 31 December 2017 and 2016.

31 December 2017			
Assets	**LEK**	**EUR**	**Total**
Cash and cash equivalent	599,269	-	**599,269**
Term deposits with banks	6,608,079	-	**6,608,079**
Investment in securities	24,277,697	-	**24,277,697**
Other financial assets	2,196,446	-	**2,196,446**
Total financial assets	33,681,491	-	**33,681,491**
Liabilities			
Other liabilities	1,175,963	-	**1,175,963**
Total financial liabilities	1,175,963	-	**1,175,963**
Net position	32,505,528	-	**32,497,449**

31 December 2016			
Assets	**LEK**	**EUR**	**Total**
Cash and cash equivalent	22,049	-	**22,049**
Term deposits with banks	6,650,912	-	**6,650,912**
Investment in securities	15,217,124	-	**15,217,124**
Other financial assets	1,687,891	-	**1,687,891**
Total financial assets	23,577,976	-	**23,577,976**
Liabilities			
Other liabilities	1,040,825	-	**1,040,825**
Total financial liabilities	1,040,825	-	**1,040,825**
Net position	22,537,151	-	**22,537,151**

5. Financial risk management (continued)

5.1 Market risk (continued)

b) Interest rate risk

The Company is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. 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.

A summary of the Company's interest rate gap position, analyzed by the earlier of contractual re-pricing or maturity date, is as follows.

31 December 2017	Carrying amount	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year
Financial assets					
Cash and cash equivalents	599,269	599,269	-	-	-
Term deposit with banks	6,608,079	-	2,600,211	4,007,868	-
Investment securities	24,277,697	-	-	277,697	24,000,000
Other financial assets	2,196,446	2,196,446	-	-	-
Total financial assets	**33,681,491**	**2,795,715**	**2,600,211**	**4,285,565**	**24,000,000**
Financial liabilities					
Other liabilities	1,175,963	1,175,963	-	-	-
Total financial liabilities	**1,175,963**	**1,175,963**	**-**	**-**	**-**
Interest rate gap	**32,505,528**	**1,619,752**	**2,600,211**	**4,285,565**	**-**

31 December 2016	Carrying amount	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year
Financial assets					
Cash and cash equivalents	22,049	22,049	-	-	-
Term deposit with banks	6,650,912	-	2,620,056	4,030,856	-
Investment securities	15,217,124	-	-	217,124	15,000,000
Other financial assets	1,687,891	1,687,891	-	-	-
Total financial assets	**23,577,976**	**1,709,940**	**2,620,056**		**19,247,980**
Financial liabilities					
Other liabilities	1,040,825	1,040,825	-	-	-
Total financial liabilities	1,040,825	1,040,825	-	-	-
Interest rate gap	**22,537,151**	**669,115**	**2,620,056**	**4,247,980**	**15,000,000**

A parallel increase/decrease in the yield curve by 100bp for the portfolio of fixed income securities and deposits would impact Company's net impact with a gain/loss of Lek 306,000 (2016: Lek 218,680).

5. Financial risk management (continued)

5.1 Market risk (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company policy is to invest in investments with the intent to hold them to maturity. Exposure to liquidity risk as at 31 December 2017 and 2016 is presented in the table below:

31 December 2017	Carrying amount	Contractual Cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Financial assets						
Cash and cash equivalents	599,269	599,269	599,269	-	-	-
Term deposit with banks	6,608,079	6,637,000	-	2,613,000	4,024,000	-
Investment securities	24,277,697	25,326,500	-	-	-	25,326,500
Other financial assets	2,196,446	2,196,446	2,196,446	-	-	-
Total financial assets	**33,681,491**	**34,759,215**	**2,795,715**	**2,613,000**	**4,024,000**	**25,326,500**
Financial liabilities						
Other liabilities	1,175,963	1,175,963	1,175,963		-	-
Total financial liabilities	**1,175,963**	**1,175,963**	**1,175,963**	**-**	**-**	**-**
Net maturity gap	**32,505,528**	**33,583,252**	**1,619,752**	**2,613,000**	**4,024,000**	**25,326,500**
Accumulated effect	**-**	**-**	**1,619,752**	**4,232,752**	**8,256,752**	**33,583,252**

31 December 2016	Carrying amount	Contractual Cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Financial assets						
Cash and cash equivalents	22,049	22,049	22,049	-	-	-
Term deposit with banks	6,650,912	6,642,200	-	-	6,642,200	-
Investment securities	15,217,124	19,591,500	-	-	1,034,000	18,557,500
Other financial assets	1,687,891	1,687,891	1,687,891	-	-	-
Total financial assets	**23,577,976**	**27,943,640**	**1,709,940**	**-**	**7,676,200**	**18,557,500**
Financial liabilities						
Other liabilities	1,040,825	1,040,825	1,040,825	-	-	-
Total financial liabilities	**1,040,825**	**1,040,825**	**1,040,825**	**-**	**-**	**-**
Net Maturity gap	**22,537,151**	**26,902,815**	**669,115**	**-**	**7,676,200**	**18,557,500**
Accumulated effect	**-**	**-**	**669,115**	**669,115**	**8,345,315**	**26,902,815**

5.2 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. Maximum exposure of the Company to credit risk is as follows.

Category	**Note**	**31 December 2017**	**31 December 2016**
Cash and cash equivalents	8	599,269	22,049
Term deposits with banks	9	6,608,079	6,650,912
Investment securities	10	24,277,697	15,217,124
Other financial assets	12	2,196,446	1,687,891
Carrying amount		**33,681,491**	**23,577,976**

The Company's financial assets are neither past due nor impaired at the reporting date. Credit quality is provided in the related notes.

5. Financial risk management (continued)

Management of capital

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that adequate capital levels is maintained for the Company to be able to continue as a going concern and comply with the regulators' capital requirements, while maximising the return to stakeholders. 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. As at 31 December 2017 and 31 December 2016, the Company's met all capital requirements.

6. 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.

7. Fair value disclosures

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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 the amount receivable at the reporting date.

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.

7. Fair value disclosures (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analysed by level of fair value hierarchy as at 31 December 2017 and 31 December 2016.

	Fair value level	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
31 December 2017						
Cash and cash equivalents	Level 2	-	599,269	-	599,269	599,269
Term deposits with banks	Level 2	-	6,608,079	-	6,608,079	6,608,079
Investment securities	Level 2	24,277,697	-	-	24,277,697	30,506,669
31 December 2016						
Cash and cash equivalents	Level 2	-	22,049	-	22,049	22,049
Term deposits	Level 2	-	6,650,912	-	6,650,912	6,650,912
Investment securities	Level 2	15,217,124	-	-	15,217,124	20,911,801

8. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash on hand	-	-
Cash at banks	599,269	22,049
Total	**599,269**	**22,049**

As at 31 December 2017 Company's cash at banks is held with Tirana Bank, a subsidiary of Piraeus Bank Greece which is rated C by S&P with a stable outlook.

9. Term deposits with banks

Term deposits comprise the following Lek currency deposits as at 31 December 2017 and 2016:

	31 December 2017	31 December 2016
Term deposits	6,600,000	6,600,000
Accrued interest	8,079	50,912
Total	**6,608,079**	**6,650,912**

The yield applied on the terms deposits ranges from 0.5% - 0.7% (2016: 0.6% - 0.7%). The Company's term deposits are neither past due nor impaired. They are placed at Tirana Bank, subsidiary of Piraeus Bank rated as C by S&P with a stable outlook.

10. Investment in securities

	31 December 2017	31 December 2016
Investments in bonds from Government of Albania	24,000,000	15,000,000
Accrued interest	277,697	217,124
Total	**24,277,697**	**15,217,124**

The maturity of the bonds ranges from 2 to 7 years and interest rates ranges from 3.25% to 7.78%.

Investments in securities held to maturity are neither past due nor impaired. They consist of government bonds of the Government of the Republic of Albania whose credit rating is set at B1 with stable outlook by Moody's.

11. Equipment

	Office equipment	Computer installation	Vehicles	Total
Cost				
At 1 January 2016	1,266,818	645,637	4,041,000	**5,953,455**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
As at 31 December 2016	**1,266,818**	**645,637**	**4,041,000**	**5,953,455**
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31 December 2017	**1,266,818**	**645,637**	**4,041,000**	**5,953,455**
Accumulated depreciation				
At 1 January 2016	737,607	532,681	2,101,282	**3,371,570**
Charge for the period	51,952	26,453	193,934	**272,339**
At 31 December 2016	**789,559**	**559,134**	**2,295,216**	**3,643,909**
Charge for the period	49,339	17,686	174,540	**241,565**
At 31 December 2017	**838,898**	**576,820**	**2,469,756**	**3,885,474**
Carrying amount				
At 1 January 2016	**529,211**	**112,956**	**1,939,718**	**2,581,885**
At 31 December 2016	**477,259**	**86,503**	**1,745,784**	**2,309,546**
At 31 December 2017	**427,920**	**68,817**	**1,571,244**	**2,067,981**

12. Other assets

	31 December 2017	31 December 2016
Receivables for management fee “Voluntary Pension Fund Sigal”	2,196,446	1,687,891
Other assets	246,997	168,670
Total	**2,443,443**	**1,856,561**

Receivables for management fee comprise the fee receivable from the pension fund managed by the Company.

13. Other liabilities

	31 December 2017	31 December 2016
Suppliers	1,175,963	1,040,825
Social insurance and other taxes	330,986	370,431
Other	86,608	110,887
Total	**1,593,557**	**1,522,143**

14. Share capital

The shareholding structure as at 31 December 2017 and 2016 was as follows:

	31 December 2017			31 December 2016		
	%	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
Total	**100**	**47,524**	**57,028,800**	**100**	**47,524**	**57,028,800**

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

	31 December 2017	31 December 2016
Number of authorized and fully paid shares at the beginning of the period	47,524	47,524
Number of shares issued during the period	-	-
Number of authorized and fully paid shares at the end of the period	**47,524**	**47,524**

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.

15. Fund administration income

	Year ended 31 December 2017	Year ended 31 December 2016
Management fee	22,764,634	16,804,094
Early termination fee	2,036,703	920,526
Total	**24,801,337**	**17,724,620**

Management fee is calculated on daily basis as 3% of Net Assets Value of the pension fund. Termination fee, paid by the contributors for early withdrawal from the pension, is calculated as a percentage of the contributor's funds net value (excluding withholding tax) at the day of withdrawal. This percentage varies from 2 to 15 % depending on the time the contributor has invested on the fund.

16. Interest income

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income from securities	1,037,872	1,034,000
Interest income from term deposits	37,868	21,530
Total	**1,075,740**	**1,055,530**

17. Personnel expenses

	Year ended 31 December 2017	Year ended December 2016
Personnel expenses	10,126,657	10,092,473
Social security contributions	814,164	714,401
Health contributions	143,676	125,237
Total	**11,084,497**	**10,932,111**

Total number of employees as at 31 December 2017 is 6 (2016: 6 employees).

18. Administrative expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Depositary fee	1,517,643	1,120,273
Rent	420,000	420,000
Consulting services	489,155	397,410
Software maintenance	326,520	366,257
AFSA fees	292,468	347,425
Advertising and marketing	92,933	190,713
Taxes and fees	121,000	165,133
Representation expenses	166,175	141,850
Bank commissions	89,223	110,908
Communication	60,473	66,203
Maintenance	104,904	11,480
Other	56,535	10,075
Total	**3,737,029**	**3,347,727**

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.

19. Income tax expense

The annual tax calculation is as follows:

	2017	2016
Current tax expense	1,622,098	780,029
Deferred tax expense	-	-
Income tax expense	**1,622,098**	**780,029**

Reconciliation of the income tax expense for the year ending 31 December 2017 and 2016 as follows:

		2017		2016
Profit for the period		10,813,986		4,227,973
Income tax expense using the domestic tax rate	15%	1,622,098	15%	634,196
Non-deductible expenses	-	-	3.4%	145,833
	15%	**1,622,098**	**18.4**	**780,029**

In accordance with Albanian tax regulations, the applicable income tax rate for 2017 is 15% (2016:15%). 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.

20. 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 2017.

b) Lease commitments

The Company has entered into lease commitments for its premises. The future minimum lease payments under non-cancellable operating lease are as follows:

	2017	**2016**
Up to 1 month	35,000	35,000
Up to 6 months	-	-
Up to 1 year	-	-
Total	**35,000**	**35,000**

The Company's future minimum lease payments under cancellable operating leases amounted to Lek 385 thousand.

c) Other commitments

The Company has no capital expenditures commitments as at 31 December 2017.

21. 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:

Related party	**Relationship**
Sigal Uniqa Group Austria Sh.a.	Ultimate parent company
Sigal Life Uniqa Group Austria Sh.a.	Immediate parent company
Avni Ponari	Shareholder
Naim Hasa	General Director

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

	Year ended 31 December 2017	**Year ended December 2016**
Expenses to:		
Key management personnel	3,542,500	3,835,860
	3,542,500	**3,835,860**

22. Unconsolidated structured entities

The table below provides information of the only structured entity, Voluntary Pension Fund Sigal**,** which the Company manages but does not consolidate**.**

	Year ended 31 December 2017	**Year ended December 2016**
Administration income earned	22,764,634	16,804,094
Total net assets under management	875,279,402	672,690,158

The maximum exposure to loss of the Company as at 31 December 2017 with respect to unconsolidated structured entity, is the carrying amount of outstanding administration fee receivables amounting to Lek 2,196 thousand (2016: Lek 1,687 thousand).

23. Events after the reporting date

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