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KOSOVO PENSION SAVINGS TRUST

OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2013

Grant Thornton

Independent Auditors' Report

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To the Board of Governors of Kosovo Pension Savings Trust

We have audited the accompanying financial statements of Kosovo Pension Savings Trust – Operations (the "KPST-O"), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and 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 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.

Grant Thornton

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kosovo Pension Savings Trust – Operations as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLC

Pristina, Kosovo
16 April 2014

	Notes	As at December 31 2013 EUR	As at December 31 2012 EUR
Assets			
Current Assets			
Cash in hand and at banks	4	888,141	736,610
Held to maturity investments	5	4,000,000	6,000,000
Account receivables	6	350,373	547,927
Prepaid expenses		45,151	22,015
		5,283,665	7,306,552
Fixed Assets			
Property, plant and equipment	7	159,566	57,805
Intangible assets	8	233,691	240,597
		393,257	298,402
Total assets		5,676,922	7,604,954
Liabilities			
Current Liabilities			
Accounts payable		629,542	483,402
		629,542	483,402
Net assets attributable to KPST Operations		5,047,380	7,121,552
		5,047,380	7,121,552
Total liabilities		5,676,922	7,604,954

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 16, 2014.

FKPK KPŠF KPST

Dr. Ymer Havolli
Chairperson of the Board

Mr. Adrian Zalli
Managing Director

Mr. Vërshim Hatipi
Deputy Director – Finance and IT

The accompanying notes from 1 to 16 form an integral part of these financial statements

	Notes	Year ended December 31 2013	Year ended December 31 2012
		EUR	**EUR**
Income			
Fees charged on pension assets	**10**	4,599,464	3,997,932
Release from grant		-	100,280
Other income	**11**	314,706	491,677
Total income		**4,914,170**	**4,589,889**
Expenses			
Investment expenses			
Open-end vehicle net fees	**12**	(2,836,938)	(2,384,456)
CBK transfer and maintenance charges		(30,422)	(31,497)
Brokerage, custody and pledge expenses		(25,508)	(26,539)
		(2,892,868)	**(2,442,492)**
Operational expenses			
Governing Board expenses	**13**	(147,914)	(156,988)
Staff costs	**14**	(522,970)	(547,017)
Account statements and correspondence		(112,094)	(101,252)
Office operating expenses		(88,529)	(69,277)
Public education and advertising		(19,901)	(32,721)
Software maintenance		(36,271)	(24,673)
CBK supervision charges		(15,539)	(22,155)
Depreciation and amortisation	**7-8**	(103,319)	(73,279)
Professional services/Contractors/Consultants	**15**	(2,920)	(11,256)
External audit		(9,900)	(9,900)
Disaster recovery		(8,616)	(5,777)
Meetings and conferences		(808)	(3,062)
Communication		(8,860)	(8,794)
Bank charges		(3,982)	(5,242)
Other costs		(13,851)	(18,421)
		(1,095,474)	**(1,089,814)**
Total expenses		**(3,988,342)**	**(3,532,306)**
Surplus for the year		**925,828**	**1,057,583**

The accompanying notes from 1 to 16 form an integral part of these financial statements

	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
As at January 1, 2012		**6,063,969**	**-**	**6,063,969**
Surplus for the year		1,057,583	-	1,057,583
As at December 31, 2012		**7,121,552**	**-**	**7,121,552**
Surplus for the year		925,828	-	925,828
Transfers to reserves	**9**	(5,000,000)	5,000,000	-
Return of surplus to KPST-PA	**9**	(3,000,000)	-	(3,000,000)
As at December 31, 2013		**47,380**	**5,000,000**	**5,047,380**

Note: The details related to the Statement of changes in net assets of KPST Operations are described in Notes 9 through to 10 of these Financial Statements.

The accompanying notes from 1 to 16 form an integral part of these financial statements

	Notes	Year ended December 31 2013	Year ended December 31 2012
		EUR	EUR
Cash flows from operating activities			
Surplus for the year		925,828	1,057,583
Adjustments for:			
Depreciation and amortisation	**7-8**	103,319	73,279
Release from grant		-	(100,280)
		1,029,147	1,030,582
Changes in operating assets and liabilities:			
Increase in accounts payable / accruals		146,140	64,876
Decrease in accounts receivable / prepaid expenses		174,418	18,552
Net cash flows from operating activities		**1,349,705**	**1,114,010**
Cash flows from investing activities			
Purchase of equipment		(144,208)	(28,251)
Purchase of software and licenses		(53,966)	(278,981)
Decrease in held to maturity investments		2,000,000	900,000
Net cash flows from investing activities		**1,801,826**	**592,768**
Cash flows from financing activities			
Return of surplus to KPST-PA	**9**	(3,000,000)	-
Returned grant		-	(1,484,828)
Net cash flows from financing activities		**(3,000,000)**	**(1,484,828)**
Increase in cash and cash equivalents		**151,531**	**221,950**
Cash and cash equivalents at the start of the year		736,610	514,660
Cash and cash equivalents at the end of the year	**4**	**888,141**	**736,610**

The accompanying notes from 1 to 16 form an integral part of these financial statements

1 GENERAL

The Kosovo Pension Savings Trust (hereinafter "KPST"), registered at address: Rr. Agim Ramadani No. 10, 10000 Prishtina, Republic of Kosovo, with registration number 90000225; was created by UNMIK Regulation 2001/35 on 22 December 2001, later amended to Regulation No. 2005/20, further amended by Law No. 03/L-084 of the Republic of Kosovo, further amended by Law No. 04/L-101 of the Republic of Kosovo, the latter complemented by additions and changes of Law No. 04/L-168; as a not-for-profit, financial institution whose sole and exclusive purpose is to administer and manage individual accounts for savings pensions, assuring the prudent investment and custody of pension assets, and paying the proceeds of individual accounts to purchase annuities for savings pensions, as management trustee acting on behalf of participants' and beneficiaries.

Law No. 04/L-101 provides for a pension savings program, funded by contributions of both employees and their employers, and administered and invested through the KPST. Under this defined contribution system, all employed residents of Kosovo and their employers are required to make pension contributions (except for foreign employees with temporary stay in Kosovo). KPST is maintaining individual accounts for each participant to which contributions as well as investment returns are credited.

The KPST is overseen by a Board of Governors, which is comprised of investment and pension experts, as well as employee and employer representatives from Kosovo. One non-voting member represents the interests of the Government.

A Director and 25 permanent staff members managed the day to day operations of the KPST during 2013 (2012: Director and 25 permanent staff members).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of KPST-O have been prepared in accordance International Financial Reporting Standards (“IFRS”).

2.2 Basis of preparation

KPST-O maintains its accounting records and prepares its statutory financial statements under the historical cost convention as modified by the revaluation of appropriate financial assets, financial liabilities and property, plant and equipment.

2.3 Changes in accounting policies and disclosures

(a) New and revised standards that are effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

IFRS 10 ‘Consolidated Financial Statements’ (IFRS 10)
IFRS 10 supersedes IAS 27 ‘Consolidated and Separate Financial Statements’ (IAS 27) and SIC 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the KPST-O investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the KPST-O investees held during the period or comparative periods covered by these financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

(a) New and revised standards that are effective for annual periods beginning on or after 1 January 2013 (continued)

IFRS 11 'Joint Arrangements' (IFRS 11)
IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31) and SIC 13 'Jointly Controlled Entities- Non-Monetary-Contributions by Venturers'. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

The application of IFRS 11 does not impact KPST-O financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

The application of IFRS 12 does not materially impact KPST-O financial statements.

Consequential amendments to IAS 27 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in Associates and Joint Ventures' (IAS 28)
IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 'Fair Value Measurement' (IFRS 13)
IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. KPST-O has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

The KPST-O has applied IFRS 13 for the first time in the current year.

Amendments to IAS 19 'Employee Benefits' (IAS 19)
The amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the 'corridor method' and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability;
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

The application of amendments to IAS 19 does not impact KPST-O financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by KPST

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by KPST-O.

Management anticipates that all of the relevant pronouncements will be adopted in KPST-O accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to KPST-O financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on KPST-O financial statements.

IFRS 9 'Financial Instruments' (IFRS 9)
The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. Chapters dealing with impairment methodology are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Management has yet to assess the impact of this new standard on the KPST-O financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Fees are accrued on daily basis by charging specified rates on the gross daily pension assets.

Interest on bank deposits is recognised on accrual basis.

3.2 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and it is released to the statement of comprehensive income over the expected useful life of the relevant asset.

3.3 Property, plant and equipment

Property, plant and equipment of KPST Operations consist of: Computers and related equipment; Furniture, fixtures and related equipment; Other office equipment; and Motor vehicles; which are carried at cost less accumulated depreciation. The carrying value of such assets is reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of such assets is the greater of the net selling price and the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax-discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the statement of comprehensive income.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets using the following rates:

Computer and related equipment - 33%
Furniture, fixtures and equipment - 20%
Other office equipment - 20%
Motor vehicles - 20%.

3.4 Intangible assets

Intangible assets comprise of licensed computer software. These are initially stated at cost and subsequently at their cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recorded when these assets are available for use using straight-line basis whereby the cost of an intangible asset is written off over its estimated useful life using the following rates:

Software - 20%
Licenses are amortised over the term of the license.

3.5 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash, cash equivalents, receivables, and liabilities. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies included in this note. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the related contractual arrangement. Interest, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense. Financial instruments are offset when KPST-O has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investments

All purchases and sales of securities are recognised at the trade date. Trade date is the date on which KPST-O commits to purchase or sell the asset.

Held to maturity investments
Held to maturity investments are represented by deposits and investments with fixed or determinable payments and fixed maturity which KPST-O has the positive intent and ability to hold to maturity. Term deposits with original maturities of three months or less are classified as cash equivalents for the purpose of cash flow statement, whilst those with original maturities of more than three months are classified as held to maturity investments.

Interest is calculated on a time accrual basis and interest receivable is reflected in other receivables. Government or treasury bills and notes at the time of acquisition are valued at their discounted values with subsequent valuations done at amortised values.

Available for sale investments
Investment securities in the open-end mutual funds held by KPST-O are classified as available for sale. These investments are initially recognised at cost, being the fair value of the consideration given.

After the initial recognition, investments in available for sale securities are re-measured at fair value on the basis of quoted market prices at the close of trading on the reporting date.

Determining fair values
Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value
The financial assets measured according to the fair value in the statement of financial position are presented in accordance with the hierarchy of the fair value. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices); and
Level 3: incoming data on the asset or liability that are not based on data available for market observing.

As of the reporting dates, there were no financial instruments of KPST-O measured at fair value, be they assets or liabilities. Due to the fact that absolute surplus liquidity of KPST-O is invested only in term deposits or Kosovo Treasury debt instruments, it is not exposed to any financial risks over and above the bankruptcy of banks in which term deposits are placed, or the country of Kosovo.

Impairment of financial assets
Impairment of investments is recognised in the statement of comprehensive income when there is a permanent diminution in their value.

3.7 Cash and cash equivalents

For cash flow purposes, cash and cash equivalents consist of cash with bank, cash in hand and short term deposits with an original maturity of three months or less.

3.8 Taxation

KPST as a trust fund is exempt from the payment of corporate profit taxes.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Pension costs

KPST-O makes no provision and has no obligation for employees' pensions over and above the contributions paid into the above mentioned pension scheme.

3.10 Significant estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Useful life of amortised assets
Management reviewed the useful lives of amortised assets at 31 December 2013. Management estimates the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Note 8. However, the factual results may differ due to the technological obsoleteness.

3.11 Financial risk management

3.11.1 Credit risk

Credit risk is the risk of financial loss to KPST-O if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from KPST-O deposits with banks, cash and cash equivalents, as well investments in Kosovo Treasury debt instruments with the latter not having any exposure to on reporting date.

3.11.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funds through adequate credit facilities and ability to collect timely - within the terms established - the amounts due from third parties.

The following table presents the remaining contractual maturities of financial assets and liabilities of KPST-O. The table is prepared on the basis of undiscounted cash flows of financial liabilities.

	As at December 31 2013		As at December 31 2012	
	Current Up to 1 year	Non-current Over 1 year	Current Up to 1 year	Non-current Over 1 year
	EUR	EUR	EUR	EUR
Financial assets				
Cash in hand and at banks	888,141	-	736,610	-
Held to maturity investments	4,000,000	-	6,000,000	-
Account receivables	350,373	-	547,927	-
	5,238,514	**-**	**7,284,537**	**-**
Financial Liabilities				
Account payables	629,542	-	483,402	-
	629,542	**-**	**483,402**	**-**
Maturity gap	**4,608,972**	**-**	**6,801,135**	**-**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial risk management (continued)

3.11.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the income of KPST-O or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising returns.

Foreign exchange risk
Assets and liabilities of KPST-O are not exposed to the foreign exchange rate movement since all of the transactions are done in local currency.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. KPST-O management is primarily responsible for monitoring daily the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch. At the financial position date KPST-O has no interest-bearing assets of a floating interest rate, or funds borrowed from local or foreign financial institutions.

	As at December 31 2013		As at December 31 2012	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Interest-bearing				
Fixed rate				
Held to maturity investments	4,000,000	-	6,000,000	-
Total	**4,000,000**	**-**	**6,000,000**	**-**

3.11.4 Financial instruments that are not presented at fair value

The following table summarises the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value as at December 31, 2013 and 2012.

	As at December 31 2013		As at December 31 2012	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash in hand and at banks	888,141	888,141	736,610	736,610
Held to maturity investments	4,000,000	4,000,000	6,000,000	6,000,000
Account receivables	350,373	350,373	547,927	547,927
	5,238,514	**5,238,514**	**7,284,537**	**7,284,537**
Financial Liabilities				
Account payables	629,542	629,542	483,402	483,402
	629,542	**629,542**	**483,402**	**483,402**

4 CASH IN HAND AND AT BANKS

	As at December 31 2013	As at December 31 2012
	EUR	EUR
Raiffeisen Bank Kosovo - Current account	278,688	548,079
ProCredit Bank - Current account	481,482	93,822
NLB Prishtina - Current account	124,782	90,285
Raiffeisen Bank International (Austria) - Current account	2,673	4,391
Cash in hand	516	33
Total cash in hand and at banks	**888,141**	**736,610**

5 HELD TO MATURITY INVESTMENTS

	Notes	As at December 31 2013	As at December 31 2012
		EUR	EUR
Term deposits	**5.1**	4,000,000	6,000,000
Kosovo Treasury debt instruments	**5.2**	-	-
Total held to maturity investments		**4,000,000**	**6,000,000**

5.1 Term deposits

Term deposits balance as of December 31, 2013 amounting EUR 4,000,000 (2012: EUR 6,000,000) represent deposits with local banks with original maturity of 12 months. Term deposits carry interest rates in the range of 2.63% - 2.90% p.a. (2012: 4.8% - 5.5% p.a.).

5 HELD TO MATURITY INVESTMENTS (CONTINUED)

5.2 Kosovo Treasury debt instruments

		2013	2012
		EUR	EUR
As at January 1		-	-
Placements			
KV1102320237 T-Bill Mat. 20.11.2013 @0.95%		2,488,114	-
		2,488,114	**-**
Interest			
KV1102320237 T-Bill Mat. 20.11.2013 @0.95%		11,886	-
		11,886	**-**
Redemptions (upon maturity)			
KV1102320237 T-Bill Mat. 20.11.2013 @0.95%		(2,500,000)	-
		(2,500,000)	**-**
As at December 31		-	-

As of reporting date there were no investments on Kosovo Treasury securities, which are not yet rated. When there are investments in such an instrument, it normally is the intention of the Governing Board to hold to maturity the investments of KPST-O in Kosovo Treasury debt instruments.

6 ACCOUNT RECEIVABLES

		As at December 31 2013	As at December 31 2012
		EUR	EUR
Receivables from KPST-PA		294,010	414,306
Rebates receivable from open-end funds		31,368	-
Other account receivables		24,995	133,621
Total account receivables		**350,373**	**547,927**

As at December 31, 2013 the balance of receivables from KPST-PA amounting EUR 294,010 (2012: EUR 414,306) relates to the fee charged on participants' accounts amounting EUR 292,357 (2012: EUR 290,047), as well as differences from refunds of erroneous contributions amounting EUR 1,653 (2012: EUR 124,259); which were not received as of reporting date.

7 PROPERTY, PLANT AND EQUIPMENT

	Computers and related equipment	Furniture, fixtures and equipment	Other office equipment	Motor Vehicles	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
As at January 1, 2012	**126,135**	**21,468**	**39,270**	**53,365**	**240,238**
Additions for the year	28,251	-	-	-	28,251
Disposals for the year	(34,661)	(1,653)	(3,969)	-	(40,283)
As at December 31, 2012	**119,725**	**19,815**	**35,301**	**53,365**	**228,206**
Additions for the year	128,525	1,639	14,044	-	144,208
Disposals for the year	(5,408)	(738)	(909)	-	(7,055)
As at December 31, 2013	**242,842**	**20,716**	**48,436**	**53,365**	**365,359**
Accumulated depreciation					
As at January 1, 2012	**(106,039)**	**(17,329)**	**(22,239)**	**(35,739)**	**(181,346)**
Charge for the year	(17,639)	(2,253)	(4,848)	(4,598)	(29,338)
Eliminated through disposals	34,661	1,653	3,969	-	40,283
As at December 31, 2012	**(89,017)**	**(17,929)**	**(23,118)**	**(40,337)**	**(170,401)**
Charge for the year	(31,562)	(1,131)	(5,156)	(4,598)	(42,447)
Eliminated through disposals	5,408	738	909	-	7,055
As at December 31, 2013	**(115,171)**	**(18,322)**	**(27,365)**	**(44,935)**	**(205,793)**
Net book value					
As at December 31, 2013	**127,671**	**2,394**	**21,071**	**8,430**	**159,566**
	-	-	-	-	-
As at December 31, 2012	**30,708**	**1,886**	**12,183**	**13,028**	**57,805**

8 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2012	**301,066**
Additions for the year	278,981
Disposals for the year	(294,215)
As at December 31, 2012	**285,832**
Additions for the year	53,966
Disposals for the year	-
As at December 31, 2013	**339,798**
Accumulated amortisation	
As at January 1, 2012	**(295,509)**
Charge for the year	(43,941)
Eliminated through disposals	294,215
As at December 31, 2012	**(45,235)**
Charge for the year	(60,872)
Eliminated through disposals	-
As at December 31, 2013	**(106,107)**
Net book value	
As at December 31, 2013	**233,691**
As at December 31, 2012	**240,597**

9 SURPLUS

	Joint Activities	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR
Income for the year 2013				
Income from fees charged				
January 1 - May 19, 2013	1,796,645	-	-	1,796,645
May 20 - December 31, 2013	-	793,250	2,009,569	2,802,819
	1,796,645	**793,250**	**2,009,569**	**4,599,464**
Non-fee income				
January 1 - May 19, 2013	138,829	-	-	138,829
May 20 - December 31, 2013	-	175,877	-	175,877
	138,829	**175,877**	**-**	**314,706**
Total income for the year 2013	**1,935,474**	**969,127**	**2,009,569**	**4,914,170**
Expenses for the year 2013				
January 1 - May 19, 2013	(1,574,401)	-	-	(1,574,401)
May 20 - December 31, 2013	-	(638,322)	(1,775,619)	(2,413,941)
Total expenses for the year 2013	**(1,574,401)**	**(638,322)**	**(1,775,619)**	**(3,988,342)**
Surplus for the year 2013	**361,073**	**330,805**	**233,950**	**925,828**
Surplus at the start of the year	7,121,552	-	-	7,121,552
Transfer to reserve	(5,000,000)	-	-	(5,000,000)
Return of surplus to KPST-PA	(2,482,625)	(283,425)	(233,950)	(3,000,000)
Surplus at the end of the year	**-**	**47,380**	**-**	**47,380**

During April of 2013 the Governing Board decided to create a reserve, capped at EUR 5,000,000. Funds from the reserve can only be used with the approval of the Board for exceptional events and unforeseen circumstances. The reserve was initially to be financed from the surplus from joint activities. When funds from the reserve are used, the reserve shall be replenished from surpluses from operational activities.

Activities of KPST-O prior to May 20, 2013 in these financial statements are referred to as 'Joint Activities'. Due to changes in the law, details of which are described in Note 10, with effect from May 20, 2013 joint activities were replaced with investment and operational activities which were subsequently accounted for separately. The surplus from joint activities had a balance of EUR 7,482,625 on the last day of its accumulation, i.e. May 19, 2013. Out of this balance, EUR 5,000,000 was used to finance the reserve described above.

The Governing Board subsequently decided to refund EUR 3,000,000 to contributors' pension assets (KPST-PA) from joint, investment and operational activity surpluses, in that order of precedence. The return of surplus to KPST-PA was financed from: i) Joint activity surplus: EUR 2,482,625; ii) Investment activity surplus: EUR 233,950; and iii) Operational activity surplus: EUR 283,425. This resulted in no surplus funds from joint or investment activities, and a balance of EUR 47,380 for the surplus from operational activities, remaining on reporting date.

10 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2013	Year ended December 31 2012
	EUR	EUR
Fees charged for joint activities	1,796,645	3,997,932
Fees charged for investment activities	2,009,569	-
Fees charged for operational activities	793,250	-
Total fees charged on pension assets	**4,599,464**	**3,997,932**

Fees are accrued on daily basis according to the formula:

Fee = [Gross Participants' Assets] * [Rate] / [Number of calendar days in a year].

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2013 amounted EUR 4,599,464 (2012: EUR 3,997,932).

Prior to Law Nr. 04/L-168 a single fee (joint management fee) was being charged to cover joint activities, i.e. both investment and operational activities. This law however introduced the charging of two separate fees: (i) fees to cover activities related to the investment of pension assets and (ii) fees to cover operational activities.

From January 1, 2012 and up to May 19, 2013, the joint management fee was charged at the rate of 0.60% p.a. From May 20, 2013 when the Assembly of the Republic of Kosovo - according to the new law - approved fees for investment activities at a rate of 0.38% p.a. as well as fees for operational activities at a rate of 0.15% p.a., KPST-O charged according to these new rates and accounted for investment and operational activities, and their respective surpluses, separately.

11 OTHER INCOME

	Year ended December 31 2013	Year ended December 31 2012
	EUR	EUR
Interest income on held to maturity investments	233,384	354,254
Differences from refunds of erroneous contributions	71,300	126,161
Other income	10,022	11,262
Total other income	**314,706**	**491,677**

12 OPEN-END VEHICLE NET FEES

	Year ended December 31 2013			Year ended December 31 2012		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	1,185,522	(789,074)	396,448	949,112	(593,188)	355,924
BNY Mellon – RRF	763,930	-	763,930	485,001	-	485,001
AXA – GILB	472,252	(39,207)	433,045	385,985	-	385,985
Schroders – SISF	453,392	-	453,392	312,575	-	312,575
Aquila – RP7	625,429	-	625,429	633,154	-	633,154
State Street – EMIF	51,450	-	51,450	52,168	-	52,168
ECM – DEC	113,244	-	113,244	106,385	-	106,385
BNP Paribas – GLF	-	-	-	53,264	-	53,264
Total open-end vehicle net fees	**3,665,219**	**(828,281)**	**2,836,938**	**2,977,644**	**(593,188)**	**2,384,456**

13 GOVERNING BOARD EXPENSES

	Year ended December 31 2013	Year ended December 31 2012
	EUR	EUR
Trustees honoraria	90,403	96,250
Fiduciary Insurance	21,503	36,242
Meetings (Travel/Hotel/Other costs)	31,370	21,810
Employer's pension contributions	4,638	2,686
Total Governing Board expenses	**147,914**	**156,988**

14 STAFF COSTS

	Year ended December 31 2013	Year ended December 31 2012
	EUR	EUR
Staff salaries	397,020	422,735
Overtime, bonuses and retention fees	60,619	61,216
Employer's pension contributions	43,444	44,472
Staff training	3,573	5,001
Health insurance	6,225	6,213
Travel and other staff expenses	12,089	7,380
Total staff costs	**522,970**	**547,017**

In financial statements for the year ending December 31, 2012 staff travel and other expenses were shown under Other costs in the statement of comprehensive income.

15 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2013	Year ended December 31 2012
	EUR	EUR
Translation and proofreading services	1,688	1,556
Notary/Legal services	1,200	-
Internal audit services	-	8,000
Accounting services	-	1,700
Other	32	-
Total Professional services/Consultants/Contractors	**2,920**	**11,256**

16 EVENTS AFTER THE REPORTING PERIOD

For the first two months of 2014 the KPST-O has following financial data based on unaudited financial statements for those two months.

	As at February 28 2014
	EUR
Total assets	5,600,756
Current liabilities	(293,469)
Net assets attributable to KPST Operations	**5,307,287**

	For the period January 1 to February 28 2014
	EUR
Total income	807,738
Total expenses	(547,831)
Net surplus	**259,907**

There are no subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2013.