



ANNUAL REPORT 2014



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KEY FACTS

INVESTMENTS	2014	2013
Share price at the end of the year	€1.2879	€1.2117
Share price increase during the year	6.3%	8.5%
Gross investment return for the year	€66,744,018	€71,131,573

ASSETS UNDER MANAGEMENT (AUM)		
Net AUM at the end of the year	€1,087,760,598	€913,182,738
Increase in net AUM during the year	€174,577,860	€173,486,138

CONTRIBUTIONS AND CONTRIBUTORS		
Contributions received during the year	€128,748,014	€119,156,250
Contributions received since inception	€973,387,646	€844,639,632
Accounts opened during the year	25,897	29,097
Account-holders at the end of the year	476,559	447,259
Active contributors during the year	285,914	277,305

RETIREMENT	2014	2013
Newly withdrawn accounts during the year	4,045	3,567
Value of withdrawals for the year	€14,278,841	€10,749,867
Withdrawn accounts since inception	24,548	20,503
Value of withdrawals since inception	€53,224,805	€38,945,963

FEEs AND EXPENSES		
Investment / Operating fees during the year	0.40% / 0.13%	0.38% / 0.15%
Amount of fees charged for the year	€5,269,319	€4,559,464
Investment expenses for the year	€3,104,044	€2,892,868
Operating expenses for the year	€1,397,306	€1,095,474

UNALLOCATED CONTRIBUTIONS AND SERVICES		
Unallocated contributions at the end of the year	€10,795,420	€12,849,215
Number of services provided during the year	59,030	49,486



All the figures in this Annual Report, including but not limited to: net or gross AUM, contributions for the year, changes in AUM; do not include contribution receivables in the amount €7.98m (2013: €7.87m).

INVESTMENTS IN 2014

1

The subscription to the fund and initial investment - June 2014

2

The subscription to the fund and initial investment - July 2014

3

The investment was fully redeemed - November 2014

ALLOCATION	VALUE OF INVESTMENTS ON DECEMBER 31 2014	GROSS INVESTMENT RETURN FOR 2014
Vanguard Investment Series plc Global Stock Index Fund Euro hedged (ISIN: IE00B03HD316)	€343,025,434	€30,011,423
BNY Mellon Real Return Fund (ISIN: IE00B504KX99)	€166,159,683	€8,020,089
Schroders International Strategic Bond Euro Hedged (ISIN: LU0201424265)	€114,516,911	€3,137,067
1 Nordea 1 Stable Return Fund X EUR (ISIN: LU0539147214)	€100,812,922	€4,812,922
AXA Global Inflation Linked Bonds Eur (ISIN: LU0227145629)	€71,926,649	€5,462,474
2 Kleinwort Benson Investors Institutional Dividend Plus Developed Equity Fund H (ISIN: IE00B589V552)	€54,922,848	€4,075,341
1 Nordea 1 Global Stable Equity Fund (ISIN: LU0257969260)	€50,304,385	€5,304,385
2 Tobam Anti-benchmark World Equity Fund Euro-Hedged (ISIN: LU1067857836)	€36,661,888	€1,748,152
2 Pictet High Dividend Selection - Z Euro (ISIN: LU0650147423)	€30,197,501	€197,501
Aquila AC Risk Parity 7 Fund (ISIN: LU0554703917)	€28,803,675	€1,817,045
2 AXA Optimal Income I EUR (ISIN: LU0184635471)	€26,287,722	€348,852
3 European Credit Management Ltd Diversified European Credit (ISIN: XS0306910752)	--	€856,706
Investments in the Securities of the Republic of Kosovo	€54,701,478	€952,061
TOTAL	€1,078,321,096	€65,791,957



AT A GLANCE

GLOSSARY OF TERMS

ASSEMBLY	Assembly of the Republic of Kosovo
CBK	Central Bank of the Republic of Kosovo
DPD	Department for Production of Documents, Ministry of Internal Affairs
GOVERNMENT	Government of the Republic of Kosovo
GDP	Gross Domestic Product (as published by the Kosovo Agency of Statistics)
IFRS	International Financial Reporting Standards
KAS	Kosovo Agency of Statistics
KPST	Kosovo Pension Savings Trust
OECD	Organization for Economic Cooperation and Development
PWP	Phased Withdrawal Program (of pension savings)
TAK	Tax Administration of Kosovo

INVESTMENTS

2014

Substantial diversification of investment funds in portfolio and movement of €332m. A satisfactory year for all assets classes.

Net performance for the year was 6.3% with assets under management increasing by 19.0%.

2013

Significant improvements to the investment policy. An incredibly good year for equities in developed countries, especially US.

Net performance for the year was 8.5% with assets under management increasing by 23.4%

2012

First investments in Kosovo debt instruments. Added equities from emerging markets to the portfolio. A good year for all asset classes.

Net performance for the year was 8.0% with assets under management increasing by 25.8%.

OPERATIONS

Implementation of amendments in the CBK Regulation for the withdrawal of pension savings, and the selection of the bank for PWP.

Unallocated contributions reduced to 1.1% of contributions received.

Implementation of improved Disaster Recovery Plan and the auto-update of website's key data.

Unallocated contributions reduced to 1.5% of contributions received.

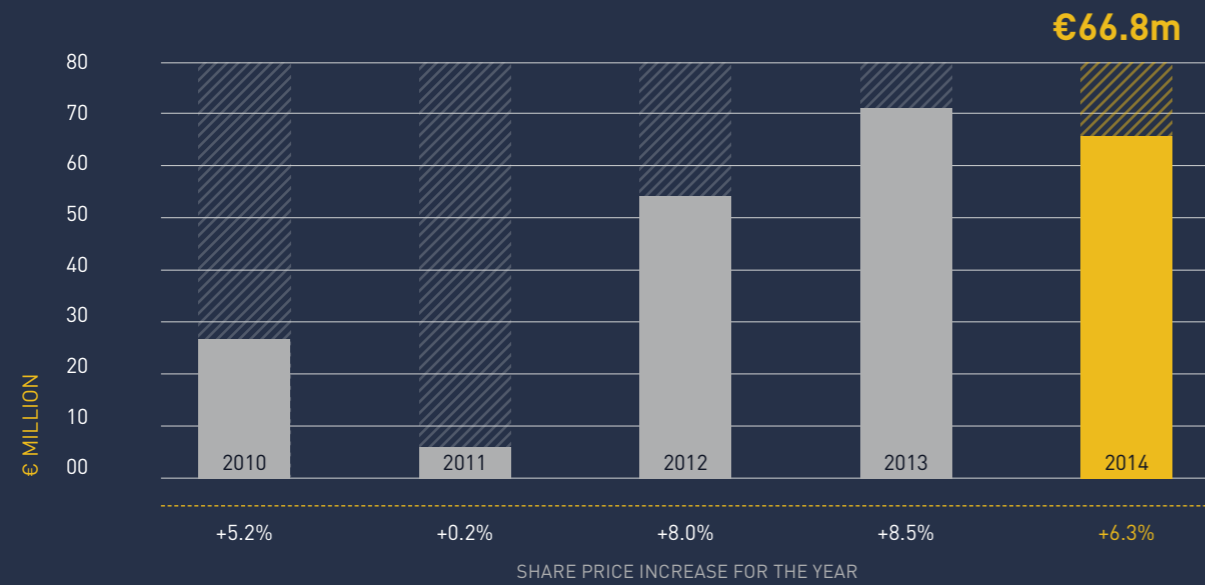
Start of daily unit price calculation and migration to a new software for managing contributor accounts.

Unallocated contributions reduced to 2.4% of contributions received.

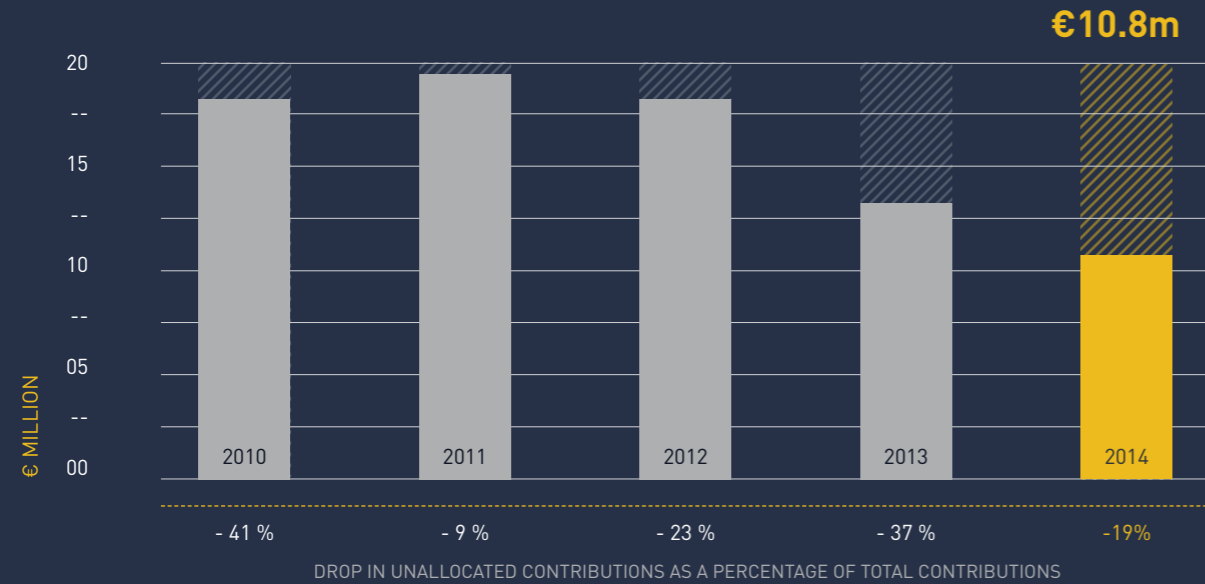
THE LAST FIVE YEARS IN NUMBERS



GROSS INVESTMENT RETURN



CUMULATIVE UNALLOCATED CONTRIBUTIONS



NUMBER OF ACCOUNT-HOLDERS AND ACTIVE CONTRIBUTORS

YEAR	TOTAL ACCOUNTS				ACTIVE CONTRIBUTORS					
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
2010	344,063	251,186	73.0%	92,877	27.0%	212,390	153,264	72.2%	59,126	27.8%
2011	384,533	278,512	72.4%	106,021	27.6%	241,902	173,258	71.6%	68,644	28.4%
2012	418,063	301,081	72.0%	116,982	28.0%	266,069	189,812	71.3%	76,257	28.7%
2013	447,259	319,987	71.5%	127,272	28.5%	277,305	195,799	70.6%	81,506	29.4%
2014	476,559	337,819	70.9%	138,740	29.1%	285,914	198,882	69.6%	87,032	30.4%

NET AUM vs ANNUAL GDP OF KOSOVO

	2010	2011	2012	2013	2014
Net AUM	€488,568,540	€588,169,206	€739,753,940	€913,182,738	€1,087,760,598
GDP	€4,396,102,010	€4,814,502,011	€5,058,802,012	€5,326,602,013	€5,453,700,000 †
Net AUM vs GDP	11.1%	12.2%	14.6%	17.1%	19.9%



† AS DATA FOR Q4 2014 FOR THE GDP OF KOSOVO ARE YET TO BE PUBLISHED, THE GDP FOR Q4 2013 WAS USED INSTEAD.



MISSION AND AMBITION

Our mission is to invest pension savings and to administer the individual accounts of contributors until their retirement.

We strive to achieve our mission through prudent investment of assets and effective administrative processes.

Our ambition is to provide the best possible services for contributors and to be the most trusted institution in Kosovo. We strive to achieve our ambition through staff professionalism and integrity and institutional transparency.

TABLE OF CONTENTS

0

003

Foreword

1

004-021

Organisation and finances

2

022-029

Activities

3

030-039

Investment of pension
assets

4

040-045

Contributions and
retirements

5

046-057

Contributors' demographics

6

058-061

Legal framework

7

062-091

Independent auditor's report
and financial statements for
KPST - Operations

8

092-135

Independent auditor's report
and financial statements for
KPST - Pension Assets

FOREWORD

FROM THE CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

The headline news for our contributors for year 2014 is the surpassing of the 1 billion euro mark by the pension fund, aided by the gross investment return of €66.8m which, directly and positively, was reflected in the balance of the pension savings of every contributor.

Kosovo Pension Savings Trust left behind another successful year. The most important was the investment performance. It resulted in a 6.3% increase of the share price for the year and this helped close the price for the year at a record-high of €1.2879 per share.

The surpassing of €1bn under management, thirteen years after inception, although more of symbolic importance rather than it bringing any immediate benefit to our contributors, for members of the Board and the management this is seen as a great achievement which firmly places KPST amongst the large pension funds - and confirms it as a rare success story - in the region.

Given that 2014 closed with next to €1.1bn under management and the new investment strategy come to life in full during the year, we are convinced that surpassing the next billion will require less than half the time it took to arrive where we are today.

In accordance with the new investment strategy, six new open-end funds were added to the investment portfolio and through them €283.0m were placed in financial markets. This decision has led to a significant reduction in the volatility of the investment portfolio, while at the same time the potential of the portfolio to generate returns has been preserved. The success in investments can also be attributed to generally positive movements in global financial markets, especially for stocks in US and EU. These have helped KPST increase its run of years with a positive investment performance to six, and to make twelve out of thirteen years with a positive investment performance since inception.

Record new contributions received amounting €128.7m mean an increase of 8.0% in comparison to 2013. The €14.3m withdrawn through benefit payments for the year were 32.8% higher compared to 2013, more so than the number of newly withdrawn accounts which increased by 13.4%.

All the while KPST continued to perform its daily administrative activities. One such activity was the tackling of contributions unallocated to contributors' accounts, which thanks to the effort of KPST staff was reduced to €10.8m from €12.8m at the end of the previous year. The unallocated funds as a percentage of contribution received since inception decreased to 1.11% (from 1.52% in the previous year), marginally exceeding the objective of 1.12% set by the Board for 2014.

Towards the end of the year there were significant changes to the rules for the withdrawal of pension savings. The most important was the change in the regulation which allows to contributors retiring in the phased withdrawal program to have the option of immediately withdrawing 20% of the balance of their savings with KPST, with the remainder withdrawn in phases. KPST had requested to CBK that such an option be granted to participants, and the latter amended the regulation to that effect. The implementation of these changes in the KPST software was none-the-less extremely challenging and can easily be dubbed the most important operational project for the year.

As the year's special achievement we also consider the writing, design and the overall creativity of the 2013 Annual Report, which was rewarded with three international awards for professional reporting and design.

Other operational activities focused on promoting the on-line service eTrusti and providing qualitative and swift customer services in general, as well as developing the technological infrastructure that will enable KPST to reach its objective for transforming into a paperless office. As always, we use this opportunity to thank ATK and DPD for the continued support they provide to KPST. We hope, and pledge all our efforts to the same, that year 2015 also serves the best interests of KPST contributors.



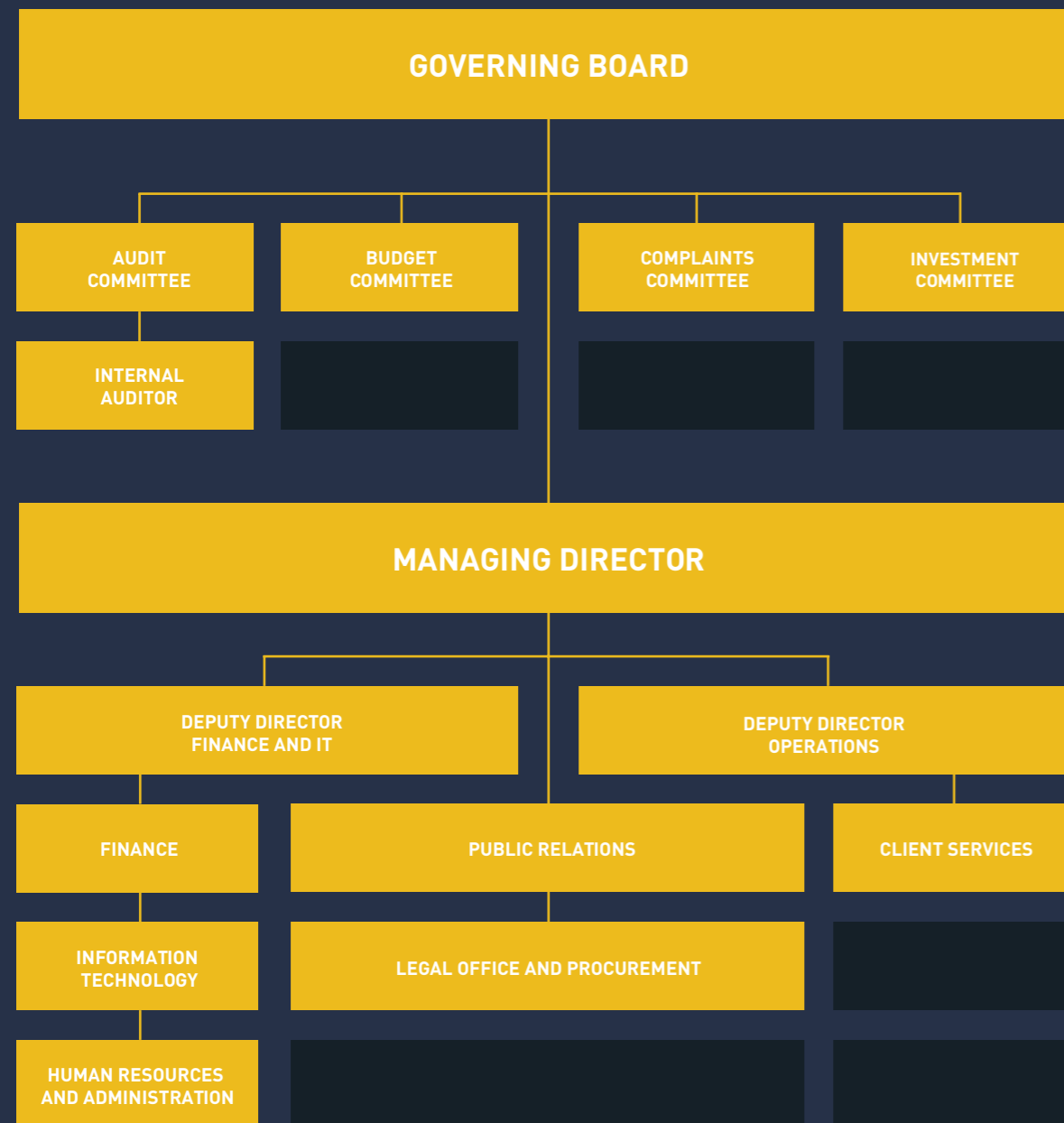
YMER HAVOLLI
CHAIRMAN OF THE BOARD



ADRIAN ZALLI
MANAGING DIRECTOR

ORGANISATION AND FINANCES

- 007 Organisation
- 007 The Governing Board
- 008 Board members at year-end
- 010 Governing Board Committees
- 011 Administration
- 014 Supervision and audit
- 017 Financing
- 018 Expenses



ORGANISATION

KPST was established as the sole institution for managing and investing mandatory pension contributions of Kosovo employees, and for administering their individual pension savings accounts until their retirement.

KPST was established by Law in December 2001 as a not-for-profit institution. As such, the sole objective of KPST is to serve only the best interests of its contributors.

KPST became fully operational with a Board, Administration and processes in place, in August 2002. At that time the Administration numbered a staff of 22 and had only five units. Since then, the Administration has evolved to a staff of 26 and seven units.

August 2002 was also the month when the first contributions from employees in the public sector started to be paid in. In 2003, the self-employed and persons employed in the private sector also joined the scheme.

The first investment of pension assets was made during 2003 in a money-market fund. This was followed with investments in indexed equities in 2004 and with investments in debt instruments in 2006. Investments were expanded further into multi-asset vehicles in 2010 and into risk-targeted vehicles in 2011.

During 2014, multi-asset investments with managed/targeted risk and equity funds with dividend and managed risk, were added to the investment portfolio.

First investment in Kosovo happened in 2008 through bank deposits. The first investment in securities of the Government of Kosovo was made in 2012 through treasury bills. During 2014, investments were for the first time made in bonds issued by the Government of Kosovo with a maturity of up to 2 years.

THE GOVERNING BOARD

KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets.

The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, and its subsequent amendments (with Law No. 04/L-168), provides for a detailed list of functions and responsibilities of KPST and its Board.

The pension rules of CBK provide the secondary legislation in relation to the investment of pension assets, performance measurement, withdrawal of pension savings and reporting requirements for KPST.

The authority and responsibilities of the Board include, but are not limited to: the selection or removal of asset managers, custodians, open-end vehicles and other third parties; adopting principles and policy for the investment of pension assets; hiring of the executive personnel of KPST; approving financial statements of KPST.

The Board can have seven voting members and one non-voting member representing the Government.

At least five members should be professionals, with a minimum of ten years of experience in the field of investments or pension fund management; at least one member with relevant experience in representing the interests of Kosovo employees; and at least one member with relevant experience in representing the interests of Kosovo employers.

In January 2015 the mandate of one of the professional Board members expired and the procedure for the re-appointment or replacement of this member, at the time of publishing this report, was not yet finalised. Furthermore, since the declaration of Kosovo's independence the position of the non-voting member representing the Government has continued to be vacant. Board members are appointed on three-year mandates with the possibility of reappointment.

BOARD MEMBERS AT YEAR-END

The employer representative position, which was vacant at the start of the year, was filled during the year



PROF. DR. YMER HAVOLLI

Chairman of the Board and Member of Investment and Budget Committees

An associate professor at the University of Prishtina "Hasan Prishtina" with PhD in economic sciences for HR Management

ROLE ON THE BOARD:

Professional

APPOINTED:

May 2009

CURRENT MANDATE:

Second



MR. FREDERICK ARTESANI

Chairman of the Investment Committee

An economist and an independent Financial Advisor registered with the Spanish Financial Markets Commission (CNMV)

Professional

October 2008

Second



MR. ALAN PICKERING

Chairman of the Budget Committee and Member of the Investment Committee

Chairman of BESTrustees, Life Academy, Plumbing Industry Pension Scheme. Non-executive director of UK Pensions Regulator

Professional

August 2012

First



Law no. 04/L-101 authorises the automatic extension of the mandate, once only for an additional three months, for a Board member who is not re-appointed or replaced by the Assembly by the time his/her mandate expires. After receiving the three month extension in October 2014, the mandate of Mr. Frederick Artesani finally expired in January 2015 although no one was appointed in his place. Mr. Artesani's role as Chairman of the Investment Committee was subsequently entrusted to Prof. Dr. Driton Qehaja.



MR. LEENDERT VAN DRIEL

Chairman of the Audit Committee and Member of the Investment Committee

Director of a consultancy on strategic risk management. Previously a supervisor at the Dutch Central Bank

Professional

August 2012

First



PROF. DR. DRITON QEHAJA

Member of Investment, Budget and Complaints Committees

An associate professor at the University of Prishtina "Hasan Prishtina" with PhD in economic and social sciences

Professional

August 2012

First



MR. SC. RUZHDI MORINA

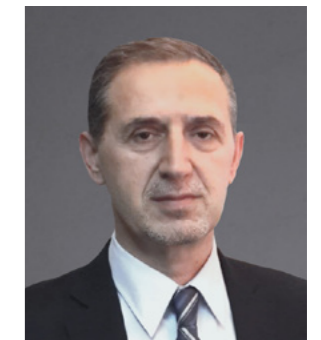
Chairman of the Complaints Committee and Member of the Audit Committee

Master in Legal sciences in the international field. With long experience as Legal Advisor at the Union of Independent Syndicates of Kosovo

Employee representative

May 2009

Second



MR. SC. FLAMUR KEQA

Member of Audit and Complaints Committees

Master in economic sciences in banking and finance; with a long experience of supervisory roles at CBK and Kosovo Electro-energetic Corporation

Employer representative

May 2014

First



A Board member whose mandate expires in July 2015 (there are five such members).



October 2015 – the final deadline for the Assembly to (re)appoint 5 out of 6 Board members; otherwise, the KPST Board will not have the legal quorum for making decisions if this deadline passes.

GOVERNING BOARD COMMITTEES

Four permanent committees facilitate the functioning and decision-making of the Board

THE INVESTMENT COMMITTEE

predominantly reviews the policies, principles and the investment strategy of pension assets, as well as the performance of investments and open-end funds through which KPST invests its assets. The committee also reviews the compliance of investments with legal and regulatory requirements. The committee makes recommendations to the Board for the investment of pension assets.

CHAIRMAN:	Frederick Artesani
MEMBERS:	Ymer Havolli Alan Pickering Leendert van Driel Driton Qehaja
MEETINGS HELD:	Four

THE COMPLAINTS COMMITTEE

reviews contributor requests, claims and complaints addressed to the Board or KPST as a whole. The committee presents its recommendations to the Board and ensures that all cases are responded to within the legal timeframe and in accordance with legal dispositions in force.

CHAIRMAN:	Ruzhdi Morina
MEMBERS:	Driton Qehaja Flamur Keqa
MEETINGS HELD:	Four

THE AUDIT COMMITTEE

amongst many of its functions reviews regulator and auditor reports, and recommends to the Board the necessary action plan required to address findings and issues. The committee also reviews the adequacy of internal procedures and recommends changes if needed. The committee evaluates the audit plan for both internal and external audit functions, and recommends their adoption to the Board.

CHAIRMAN:	Leendert van Driel
MEMBERS:	Ruzhdi Morina Flamur Keqa
MEETINGS HELD:	Three

THE BUDGET COMMITTEE

reviews KPST budgetary needs and accordingly makes recommendations for the level of fees to be charged on pension assets. The committee also recommends to the Board for approval the budget of KPST, or changes to it when needed. The committee also reviews KPST expenditures versus the budget.

CHAIRMAN:	Alan Pickering
MEMBERS:	Ymer Havolli Driton Qehaja
MEETINGS HELD:	Two

ADMINISTRATION

KPST Administration is led by the senior management consisting of the Managing Director and two deputy directors: one for finance and IT and the other for operations

Management of KPST aims to engage efficient, professional and morally sound individuals, believing that only these qualities will lead to progress, a healthy work environment, and ultimately, to better services for contributors; while simultaneously preserving the institutional integrity of KPST.

In order to achieve these objectives, the Board and Management ensure that the current Administration continues to improve its knowledge and experience, continues to be highly motivated, and continues to put all its intellectual capacities and skill set to serving the advancing of internal processes and client services.

Administration is divided into functional units which ensure an effective and efficient workplace. Improvement of administrative processes, extending assistance to the Board in analysis for investments, as well as implementation of Board's decisions are the main duties of the Administration. The performance of the latter is continually overseen and reviewed by the Board, with its day-to-day running led by the Management.

The turnover of permanent staff members was 0.0% as there were no additions or employment terminations for permanent positions during the year (2013: 0.0%).

KPST had 25 full-time employees and 1 part-time employee during 2014, same as one year before.

KPST takes very seriously its non-discriminatory obligations and is an equal opportunity employer.

Minority employees made up 8% of the workforce, or 9% of those who voluntarily declared their ethnic background.

Women represented 31% of the workforce, 88% were older than 35, and 4% had permanent disabilities.

The absence of turnover in permanent staff meant there were no changes to the ethnic or gender composition of staff compared to the previous year. However, as a year has gone by, staff members have all aged together for one year and the average age of employees at the end of 2014 was 40.3 years old.

UNIT 	CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE		HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE AND PROCUREMENT	INTERNAL AUDITOR	PUBLIC RELATIONS
PERMANENT EMPLOYEES 	9	4	3		3	2	1	1
POSITIONS 	1 manager 7 pension advisors 1 receptionist	1 manager 1 programmer/developer 1 network administrator 1 database administrator	1 certified accountant 2 finance officers		1 human resources officer 1 housekeeper 1 security officer	1 legal officer 1 procurement officer	1 internal auditor	1 public relations officer
DESCRIPTION 	<p>Offers client services. Provides information on individual's account such as pension contributions or the balance of savings, and also gives advice to clients on pensions and assistance in applications for the withdrawal of savings.</p> <p>Maintains a relationship with employers with the purpose of improving the information and allocating contributions to individual accounts. In general employees of this unit are closest to the clients throughout their saving cycle, that is from their first contribution up to their retirement.</p>	<p>Ensure that the whole IT infrastructure operates smoothly and without issues at all times, looking after the hardware, software, licenses, internal and external networks and the security and integrity of KPST data.</p> <p>Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis.</p>	<p>Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations.</p> <p>Calculate the daily share price and prepare financial statements, monthly and quarterly reports and other reports deemed necessary by the Board of KPST, the regulator and the Assembly. Additionally, liaise with fund managers.</p>		<p>Ensure health and safety at work, the respect of work schedule and other office rules by staff, and handle the hiring procedures when needed. Responsible for the payroll and other compensation.</p> <p>Additionally responsible for overall office logistics such as: dealing with supplies, vehicles, maintenance and security of the office; support staff and the Governing Board members for training and other trips, in and outside the country.</p>	<p>Legal Office handles legal affairs of the institution, advises the Board and management on legal issues and all new legislation; assists in the preparation of contracts and other agreements with third parties; represents KPST in the judicial system.</p> <p>Procurement Office manages the entire procurement process, from initiation of the procurement activity to signing the contracts with providers of goods and services.</p>	<p>Assures the Board that management's activities and those of the Administration, and all the processes in KPST, comply with: internal procedures; CBK rules; and laws in force. Ensures the effectiveness and appropriateness of KPST internal controls. Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board.</p>	<p>Maintains the relationship and handles the communication with the media and public institutions, interviews and conference activities, drafting of the annual report and the quarterly bulletin for contributors; manages the website content, and when delegated takes the role of KPST spokesperson; coordinates and facilitates the translation of the all the documents.</p>

SUPERVISION AND AUDIT

KPST is supervised and inspected by CBK, the regulator of pension funds, and reports to the Assembly, its establisher. It is audited by both internal and external auditors

KPST, as an independent public institution, is subject to supervision by both public institutions and private professional audit firms. All the supervisions and financial controls subjected to, which have resulted in no serious findings (since the inception of KPST in 2002), have further strengthened the confidence of the Board in the management. Furthermore, the Board believes that these supervisions combined with the performance of investments, have strengthened institutional credibility and increased the confidence of the public in Board's decision making and management's work ethic.

At seven, the number of the audits and inspections subjected to during 2014 remained the same as in the previous year.

In terms of reporting, KPST notifies quarterly the CBK, the Assembly and the Government on pension fund placements, new investments, return on the investments and the reconciliation of pension assets. These reports are published in the website of KPST for the purpose of informing the public. KPST also reports quarterly to the CBK on the compliance of investments with the law and CBK rules.

If KPST investments, due to movements in financial markets, happen to fall out of compliance with the law, KPST is obliged to notify the CBK immediately and rectify the situation within 180 days. Up to now no such occurrences have been encountered.

By May 31st of each year, KPST compiles the Annual Report for the previous year and sends it to the CBK, the Assembly and the Government, together with the Financial Statements audited by an independent auditor who can only be selected with the consent of the CBK. These reports are also published on the website.

During the year CBK finalised the inspection of KPST for 2013, where a vast number of documents was reviewed; from minutes of Board and Committee meetings to all other documents related to the administration. CBK normally performs two inspections of KPST during the year, the first an overall inspection and the second a focused one to check on the progress of recommendations, and reports its findings to the Board.

In case of serious findings CBK must also report those to the Assembly, which has not been necessary up to now. In addition to eventual findings, CBK also makes recommendations to the Board, as was the case in 2014 when the Board was asked to create the unit for investment and risk. The efforts to fulfill this recommendation began late in 2014.

KPST notifies the CBK on all Board decisions dealing with contributors, fund's governance, and other issues for pension assets. CBK, as regulatory and supervisory body of pension funds of Pillars II and III in Kosovo, is at all times informed about the activities of KPST.

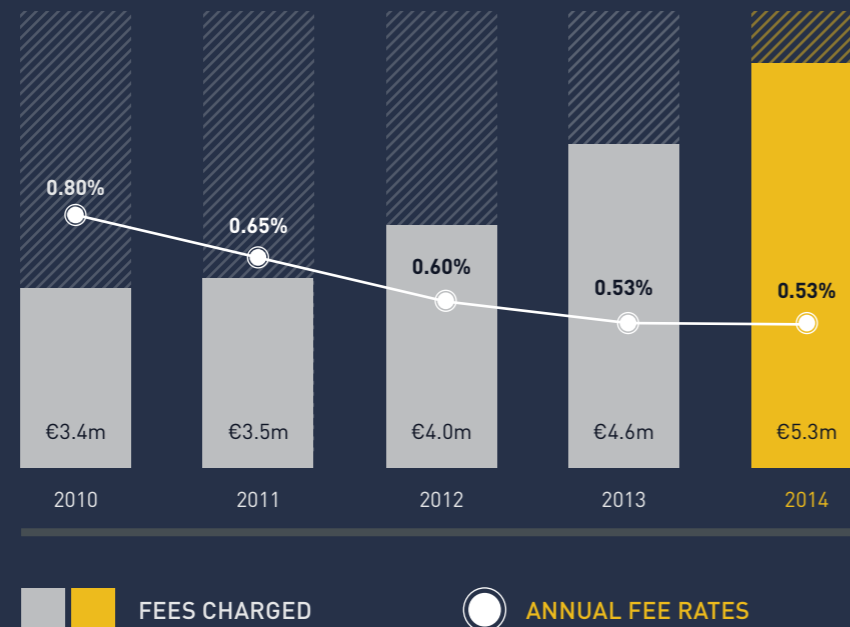
KPST has an internal auditor who reports four times a year to the Audit Committee of the Board on all aspects of institution's activities.

ISSUES RAISED BY CBK, EXTERNAL AUDITOR AND INTERNAL AUDITOR DURING/FOR 2014 AND THEIR STATUS

INSPECTOR/AUDITOR	ISSUE	ISSUE STATUS
CENTRAL BANK OF KOSOVO	Creating risk / investment unit and recruitment of relevant official.	The recruitment process for the investment officer / risk was initiated in late December 2014.
EXTERNAL AUDITOR	Unallocated contributions in the amount of €12.8m (from the total of €844.6m collected for the period 2002-2013) were not allocated to participants accounts on December 31, 2013.	KPST is committed to secure missing reports throughout the year and has managed to reduce by €2.1m that figure despite receiving a record amount of contributions; and will continue to attempt to further decrease unallocated amounts.
INTERNAL AUDITOR	Complaints Committee to consist of three members.	Fulfilled.
	The contract for rental space for the backup servers has expired (they are on standby in case of a disaster in the office), and servers were returned to the main offices of KPST. These servers must be placed in a different location from the main office.	KPST undertook immediate steps to place backup servers in a different location; with the alternative location secured in the shortest time possible.
	To address the issue of persistent residual payments to individuals with withdrawn savings.	KPST now communicates with employers to understand the reasons for these persistent residual payments, and acts depending on the situation.
	To secure re-evaluated reports by tax inspectors, when they increase obligations of an employer for pension contributions of an employee. Otherwise contributions remain unallocated.	Management has raised this issue with TAK. TAK has promised that it will obligate its tax inspectors to issue detailed corrected reports and this has been done a few times during 2015 and in time will surely become standard procedure.



TOTAL NUMBER OF AUDITS AND INSPECTIONS DURING 2014 AND 2013



Combined annual fee rates in 2014 have remained the same as in the previous year due to expectations for higher investment costs resulting from changes to the investment policy.

Even though the combined fee rates were kept the same, fees charged on pension assets in nominal terms increased by €669,855. This represents an increase of 14.6% in nominal fees, which was still lower than the increase of 19.1% in gross AUM.

Fees charged generated revenues of €5,269,319 of which €3,976,844 to cover investment expenses and €1,292,475 to cover operating ones.

Non-fee revenues of KPST for the year were €273,510 which made for total revenues for 2014 in the amount of €5,542,829, or 12.8% higher than the year before [2013: €4,914,170]. The bulk of non-fee revenues were due to differences arising from refunding of erroneous contributions as well as the investment of operational assets.

FINANCING

On average KPST charged contributor accounts with 22.6 euro cents per month for operating expenses

KPST is funded in a similar way as are all defined contribution pension funds i.e. by charging fees on assets under management (pension assets).

As a not-for-profit institution, fees charged by KPST should only cover its expenses. The level of fees, based on the recommendations of the Board, is approved by the Assembly; thereby providing the Assembly with an implicit degree of control on KPST spending.

As per changes within Law No. 04/L-168 the investment fee charged by KPST must cover expenses relating to the investment of pension assets; whereas the operating fee must cover all other expenses.

For 2014 KPST has charged a combined annual fee of 0.53%, made up of the investment fee of 0.40% and the operating fee of 0.13% (2013: 0.53%, 0.38% and 0.15% respectively).

The annual operating fee of 0.13% charged by KPST continues to be the lowest in comparison to all similar operators in the region, and is also among the lowest globally.

In Croatia, the average management fee charged by the pension operators for the year was 0.45%, in Macedonia 0.54%, Romania 0.60%, and in Bulgaria 1.00%. Furthermore, pension operators in Croatia charge entry fees of between 0.5% and 0.8% on each contribution paid in.

In Macedonia average entry fees were 5.55%, in Bulgaria at least 4.25%, and in Romania between 2.50% and 5.0% depending on the length of contributing. There are cases when fees are also levied on the overall balance upon withdrawing funds come retirement. KPST does not charge any such fees.

On the other hand, the annual investment fee of 0.40% is not comparable to any of the above regional funds or even with similar funds globally. The standard treatment of investment expenses, in addition to the operating fee charged for the operations of the managing entity, is for investment expenses to be levied on the pension fund itself; i.e. investment expenses are treated as expenses of the fund and not as they are in Kosovo, where they are treated as expenses of the managing entity.

The current treatment results in discrepancies between what KPST charges as an investment fee, which is something that must be evaluated and budgeted before the year starts, and actual expenses. The discrepancy is hard to predict but it can also be very easily avoided with some minor changes in the law.

Going back to the operating fee, which for the year has cost every account-holder an average of 22.6 euro cents per month (or €2.71 for the year), has made it possible for contributors and retirees of KPST to receive:

01	direct service at the office (service, counseling, information) every working day from 08:00 to 16:00;	07	notice by mail for retirement;
02	delivery of account statement at home;	08	application for retirement and bank transfers without cost from KPST;
03	unlimited printing of account statements;	09	free maintenance on accounts with local commercial banks for the phased withdrawal of savings;
04	complete maintenance of the account;	10	above average interest rate on savings in the phased withdrawal program;
05	standby backup servers in a different location;	11	the most advanced technological services in the pension sector in the region;
06	electronic service on-line access to personal pension account;	12	a portion of the investment costs (selection of asset managers, the Governing Board expenses etc.).

EXPENSES

KPST as the managing entity of the fund incurs expenses for the investment of pension assets and for its operations

INVESTMENT EXPENSES

69.0%

2014

Investment expenses are associated with costs of having pension assets invested in global and local markets, and they constituted 69.0% of total KPST expenses for the year (2013: 72.5%). In nominal terms they increased by 7.3% and reached €3,104,044 (2013: €2,892,868). The previous year the nominal increase was 18.4%. With increases in assets under management, the increase in nominal expenditure is none-the-less expected, and in order to be better understood, investment expenses should be represented as a percentage of assets under management.

Investment funds in financial markets charge around 1% in average for managing funds, whereas KPST through individual agreements and prudent selection has ensured that fees paid to investment funds - through which it invests its assets - to have the weighted average of around 0.40%. This was the reason why the Board requested an investment fee of 0.40% be charged for 2014.

However, the implementation of the new investment policy taking the first part of the year kept on average €220m not invested during this period. Thereby, on average 14.3% of pension assets were in cash for the year (2013: 5.0%), causing investment expenses to close at 0.32% of assets for the year (2013: 0.35% of assets).

The discrepancy between actual investment fees incurred and those charged on the fund resulted in a €881,759 surplus from investment activities which the Governing Board took into account when it proposed to the Assembly the investment fees for 2015 at a level that would result in a deficit from investing activities.

Even if complications arising from the transition to the new investment policy and the selection of additional open-end funds had not been present, it would have been extremely difficult to predict the performance of investments and strategic allocations of assets for the coming year, as there are external factors which can affect both markets and Board's decisions regarding the strategic allocation.

It should be noted that almost every year KPST has requested a reduction of its fees, which were initially 1.0% and have since been halved, i.e. are below 0.5% (from March 13th, 2015). KPST through self-discipline and self-initiative aims to make cuts in fees despite the fact that: a) it is the only pension fund in the second pillar; and b) does not have a tariffs regulator that would impose reductions, as do the water or energy suppliers for example.

72.5%

2013

FEES CHARGED BY INVESTMENT FUNDS

Investment funds charge management fees for the investment of pension asset depending (and mainly) on products they offer and their position in the market. With these fees KPST in some cases has access to financial markets at lower costs than it would if it were to invest directly - even though direct investments are not permitted with the current Law.

Active investment funds, which perform transactions, research and risk management on daily basis, tend to have higher expenses and thereby charge higher fees. While passive investment funds, which follow a particular index in the market, have lower management fees in general, which for KPST is only the case with Vanguard - GSIF.

Open-end funds	2014		2013	
	Annual fee rate	Fees charged	Annual fee rate	Fees charged
Vanguard – GSIF	0.13%	€423,039	0.13%	€396,448
BNY Mellon – RRF	0.60%	€868,854	0.60%-0.70%	€763,930
AXA - GILB	0.40%	€215,412	0.35%-0.40%	€433,045
Schroders – SISF	0.45%	€508,375	0.50%	€453,392
Aquila - RP7	0.79%	€231,565	0.79%-1.06%	€625,429
ECM - DEC	0.50%	€101,033	0.50%	€113,244
State - Street - EMEIF	--	--	0.20%	€51,450
Nordea 1 – GSEF	0.44%	€81,464	--	--
Nordea 1 – SRF	0.59%	€232,940	--	--
KBI – IDPDEF	0.73%	€152,493	--	--
AXA - WFOI	0.55%	€61,130	--	--
Pictet - HDS	0.63%	€76,744	--	--
Tobam - ABWEF	0.60%	€86,264	--	--
TOTAL FEES		€3,039,313		€2,836,938
CBK fees for transfers and other		€53,244		€30,422
Brokers, custodians and pledges		€11,487		€25,508
TOTAL INVESTMENT EXPENDITURE		€3,104,044		€2,892,86

OPERATING EXPENSES

31.0%

2014

Operating expenses⁽¹⁾ include all other costs that are not direct investment expenses and consist of compensations, printing and mailing of account statements, office rent and other operating expenses. Additionally, operating expenses also include Governing Boards expenses, with decision-making on investments forming the largest chunk of Board's activity.

Operating expenses for 2014 amounted to €1,397,306 (2013: €1,095,474) and accounted for 31.0% of total KPST expenditure (2013: 27.5%).

This year operating expenses increased by 12.7% compared to 2013, with only three budget categories showing a reduction: staff costs by 0.27%, office expenses by 6.7% and cost of CBK supervision by 50.1%.

All other categories rose, most of all those for printing and mailing of account statements by 168.3%, depreciation and amortisation by 39.6%, and Governing Board expenditure by 20.2%.

Included in expenses for account statements for year 2013 are account statements of the 2012 cycle. On the other hand, the expenses for 2014 include two account statement cycles, those of the 2014 cycle with €147,553 and those of the 2013 cycle where individual account statements amounted to €125,652 and employer account statements and other official correspondence amounting to €27,502.

If the statements of the 2013 cycle are not taken into account, then account statements of the 2014 cycle would make up 11.9% of operating expenses.

Purchase of IT equipment and software for the purpose of the disaster recovery plan, during 2012 and in particular during 2013, meant that depreciation and amortisation expenditure reached its peak in 2014.

The increase in Governing Board expenditure in 2014 was linked to the selection of six new open-end funds, a process which created additional costs related to the travel of Board members.

Staff costs makes up the biggest category of operating expenses, and in 2014 they accounted for 37.3% of operating expenses (2013: 47.7%). KPST staff count of 26 employees has increased by only 5 since establishment in 2002; all the while the number of contributors has increased from 80 thousand to almost half a million. The modest growth in the number of employees over the years is clear evidence that there is no over-employment at KPST.

Going back to accounts statements, sending them in writing (via the postal service) is mandatory under paragraph 7.5 of the Law on pension funds.

Given the technology available today, it would be reasonable for this requirement to be removed from the law, be that in entirety or at least for members who can be informed by e-mail or who access their account on-line.

Should this change be adopted, than this ever-increasing expense due to ever-increasing number of account-holders, would drop significantly; and savings from charging a lower operating fee would directly translate into a higher share price for the fund.

OPERATING EXPENSES

	2014		2013	
Staff costs	€521,541	37.3%	€522,970	47.7%
Account statements and correspondence	€300,707	21.5%	€112,094	10.2%
Governing Board expenses	€177,863	12.7%	€147,914	13.5%
Depreciation and amortisation	€144,257	10.3%	€103,319	9.4%
Office operating expenses	€82,631	5.9%	€88,529	8.1%
Software maintenance	€54,525	3.9%	€36,271	3.3%
Public education and advertising	€33,824	2.4%	€19,901	1.8%
CBK supervision charges	€7,755	0.6%	€15,539	1.4%
Professional services/Contractors/Consultants	€9,952	0.7%	€2,920	0.3%
External audit	€9,900	0.7%	€9,900	0.9%
Disaster recovery - rent and other associated costs	€17,177	1.2%	€8,616	0.8%
Meetings and conferences	€937	0.1%	€808	0.1%
Communication	€11,662	0.8%	€8,860	0.8%
Bank charges	€8,440	0.6%	€3,982	0.4%
Other costs	€16,135	1.2%	€13,851	1.3%
TOTAL OPERATING EXPENSES	€1,397,306	100.0%	€1,095,474	100.0%

(1)

For more information please refer to the audited financial statements, which, as required by the Pension Rules, are prepared in compliance with International Financial Reporting Standards.



ACTIVITIES

- 024 Activities
- 025 Account management
- 026 Contribution allocation
- 028 Client services

ACTIVITIES

THE BOARD

2014 was the most active year for the Governing Board in the field of investments. The selection process for new funds, which marked the beginning of the new investment policy, took time, energy and the maximum commitment from the Board. The process began in December 2013 with the international call for bids. There were 74 expressions of interest which were followed by the receipt of bids from 22 investment funds.

March saw the evaluation of bids against the conditions and criteria set by KPST and the preliminary selection of funds, whilst interviews and visits of the selected fund managers took place in April. By June, due diligence procedures, and the verification fees, signing of agreements and opening of accounts were completed. During June and July first investments were made in the selected funds. The Board invested a record numbers of assets €333m in 2014, and it redeemed €24m from investments that were already in place.

From funds invested, €283m went to the six new funds and €50m went to funds already subscribed to. In addition, the Board in September reviewed the Investment Manual which defined new tolerance levels for investment classes. The Board also approved the KPST budget and proposed fees for 2015 to the Assembly for approval. Board members acting in Kosovo during the year held meetings with representatives of the Assembly, the Ministry of Finance and the CBK. They also established a relationship with Albania's Institute of Social Security.

A few Board members also attended the annual conference of European pension funds, which is one of the most important conferences of its kind. In the meantime, all the Board's committees, on regular basis or as necessary, treated all ranges of activities such as: investments, budget, audit and complaints.

THE MANAGEMENT

In addition to providing assistance to the Board and implementing its decisions, the management ensured that all daily processes (operations) of KPST function without interruption. This mean the safekeeping of contributor data, offering services of high professional service standards, and the timely payment of withdrawals upon retirement. The management ensured that periodic reports, including the internationally rewarded Annual Report 2013, were sent to overseeing and other institutions on regular basis or whenever required, and that the investment of funds is realised accurately, and the communication with fund managers is performed in a correct and professional manner.

At the same time, it was ensured that the on-line service eTrusti, which was promoted considerably during 2014, and the KPST website were in function 24 hours a day, enabling to contributors to be informed about the balance on their account whenever they needed. The communication with the public and third parties was also available every day. Above all, it must ensure that all financial transactions are in full compliance with regulations, laws and standards in force, and that any decision or action is in line with legislation and/or the interest of the contributors.

Management during 2014 was focused on: further improvement to data security and availability by increasing server capacities as well as increasing the security against unauthorised access from inside or outside the network.

The amended Regulation for the Payment of individual savings pensions by the CBK required a great commitment to enable its implementation in the software of KPST and to inform contributors of this change. The selection of a new bank for providing the service for phased withdrawals for free and with an interest on savings directed to this program was also a very important undertaking for serving the best interest of contributors.

During the year, management was also focused on developing the technological infrastructure that will enable KPST to reach its objective for transforming into a paperless office.

ACCOUNT MANAGEMENT

436,973 account statements sent. They disclosed nominal fees charged on the individual account



There were 24,350 more statements printed and sent compared to the previous year. The number of contributors for whom KPST did not have an address was 15,038 (2013: 14,133) and for them statements were not sent.

Due to the retirement (or death) of contributors, 4,049 accounts were "withdrawn" anew during 2014 (2013: 3,567). The total number of withdrawn accounts reached 24,548. Account statements also don't get sent for this category of account-holders.

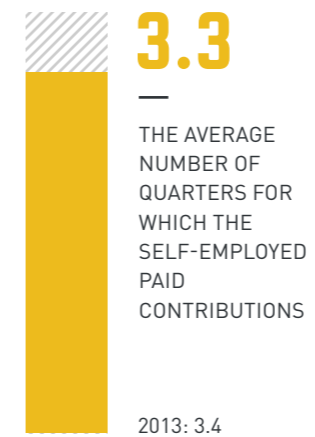
KPST opened 29,300 new individual accounts (2013: 29,195), bringing the total number of accounts opened since establishment to 476,559. There number of accounts opened during the year for first-time contributors was 25,897, that is contributors who started contributing in 2014; with the rest (or 3,403) being for cases of contributions for prior years for which KPST received either the payment or the information in 2014.

During the year there were 23,570 employers and 30,253 self-employed who paid contributions (2013: 21,918 and 29,996, respectively). In addition, there were 1,105 employers and 2,405 self-employed who paid contributions for prior years only (2012: 1,255 and 4,873, respectively).

In total, for 2014, there were 2.89m transactions posted on contributors' accounts and 420 thousand transactions posted on employer accounts (2013: 2.86m, and 410 thousand, respectively).

Included in transactions to employer accounts are 20,219 transactions for refunds of erroneous contributions (2013: 17,390), of which 89% were paid during 2014. In 2013 the percentage of refunds of transactions paid in during that same year was 76%, while the same figure in 2012 was 13%. This is an argument that the proactive approach adopted by KPST to identify erroneous contributions gave very satisfactory results for a better, more reliable and comprehensive identification and subsequent refunding of the same.

It is worth mentioning that there is a significant improvement in the interest of contributors on their account data. For example, in 2014 there were 16,058 contributors that requested changes to - or themselves changed - their: residential addresses, phone numbers and e-mail addresses. This accounted for 13.7% of the total services provided by KPST, TAK offices and through eTrusti. The year before this number was 1,753.



CONTRIBUTION ALLOCATION

Unallocated funds were reduced to 1.11% of the contributions collected

2014 has continued with the good dynamic of collecting and allocating pension contributions, and is the year with the fewest unallocated contributions in its history.

During the year progress was achieved in two aspects of contribution allocation: first, at the end of 2014 the cumulative amount of unallocated contributions was the lowest ever at €10.8m, or 1.11% of contributions collected (2013: €12.8m, or 1.52%); second, the unallocated contributions for the working year only - at €0.35m, or 0.27% of contributions collected - was also the lowest ever (2013: €0.58m, or 0.48%).

These result were achieved despite receiving a record number of contributions for any given year since inception.

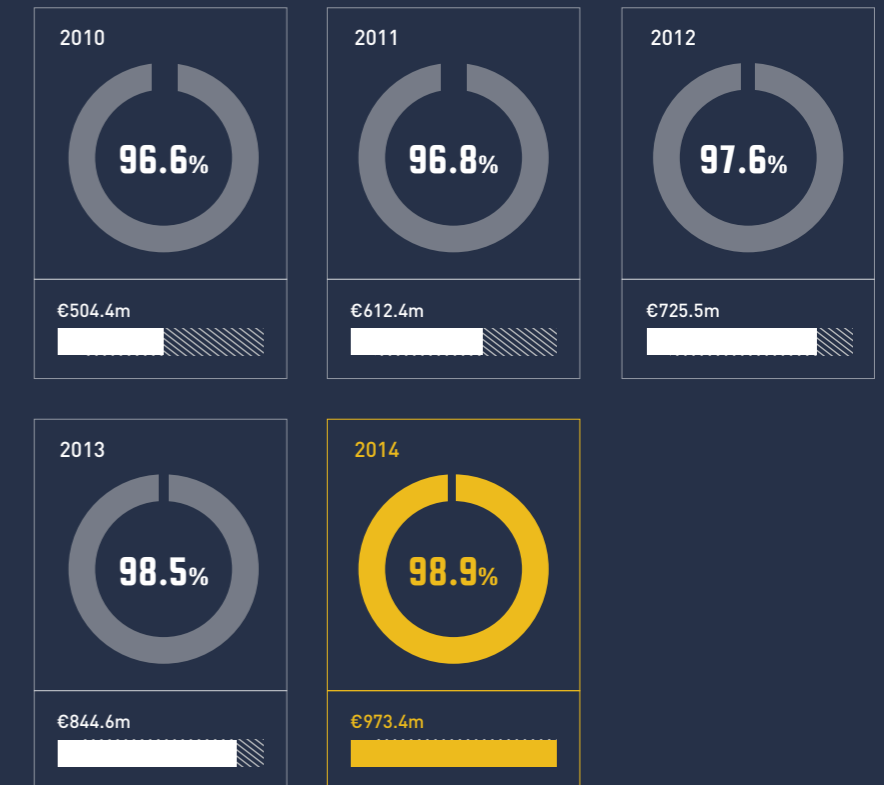
The Board had set targets for unallocated contributions received during 2002-2014 at 1.12%, which was exceeded, and for those received during 2014 at 0.27%, which was reached.

Reasons for unallocated contributions remain the same in number and relevance: Missing contribution reports: €7.4m; Report does not match the payment: €2.3m; Employer not identified: €0.6m; Contributor details (ID/Name) not valid: €0.5m (2013: €8.5m; €2.7m; €1.0m, and €0.6m respectively).

The drop in unallocated contributions is a direct result of the commitment shown by the staff of Client Services, but also of the help provided ATK through its pension officers.

This year the drop was achieved mainly through contacting employers with the aim of securing missing contribution reports (effect €1.1m), reconciling of the differences between payments and contribution reports (€0.4m), and through identifying employers who made the payments (€0.4m).

CUMULATIVE CONTRIBUTIONS RECONCILED AND COLLECTED



RESULTS vs TARGETS

CONTRIBUTIONS 2014 - UNALLOCATED



ACHIEVEMENT
100.0%

CONTRIBUTIONS 2002-2014 - UNALLOCATED



ACHIEVEMENT
102.5%

CLIENT SERVICES

236 services offered per day

The total number of services offered during 2014 for individuals and employers from KPST offices was 59,030. This represents a 19% increase in comparison to 49,486 services provided during 2013.

On average 236 services and consultations were provided each working day (2013: 198 services).

The number of account statements printed (free of charge) for walk-in visitors was 30,344. With 51%, this continues to be the most frequent service offered by KPST.

Visits have increased primarily as foreign embassies, which consider account statements issued by KPST as a genuine proof of employment, require these statements as part of the standard documentation visa applicants must submit.

A limited number of KPST services are also offered at regional TAK offices, through its pension officers. Services offered there, which also consisted predominantly of printing accounts statements, numbered 30,058 (2013: 24,740). KPST continually cooperates with these regional offices and supports them in various forms.

Other major services offered by KPST staff members were: 11,033 authorisations for access to the on-line portal eTrusti; 5,264 address updates; 3,940 benefit applications; and 1,468 responses to customer inquiries made through eTrusti portal.

The popularity of eTrusti portal increased sharply this year. A significant cause for this was its advertisement through TV channels and news portals. KPST maintains as its objective to continually increase the number of contributors accessing their pension savings account on-line and will continue to promote this service. The number of contributors with an activated access to eTrusti at the end of the year was 37,222, which still represents only 8% of its account-holders.

The services offered in the on-line portal are numerous. Users of eTrusti can check their account balance and transactions, and unlike many ordinary on-line services, these transactions are not limited to the last 3-6 months only.

Update of personal data through the use of eTrusti has increased by 87% to 10,558 (2013: 5,631), and they consisted of: 3,907 beneficiary designations; 3,741 address updates; 2,261 phone number and 638 e-mail address updates.

In total, contributors were served with 47% more services than the previous year, which numbered 117,453 services (2013: 79,857 services). Of these 65% were provided through the KPST office, 26% through TAK pension officers and 9% were realised by contributors themselves through eTrusti.

1,468

RESPONSES TO INQUIRIES MADE THROUGH THE PORTAL



TOTAL SERVICES OFFERED FROM THE OFFICE FOR CONTRIBUTORS AND EMPLOYERS

2014

59,030



2013

49,486



19%

3



Safety of pension assets, diversification of investments, maximum return for the level of risk taken and the maintenance of appropriate liquidity are the core of prudent investment principles of KPST.

The implementation of the new investment policy and principles adopted by the Governing Board was achieved successfully during 2014. As a result the volatility of KPST investment performance was reduced, thereby fulfilling the main purpose for the change.

The change inevitably required the increase in the number of investment funds and shifts in the allocation of assets to financial instruments.

Funds added to the portfolio were: Nordea 1-SRF, Nordea 1-GSEF, KBI, Pictet, Tobam and AXA WFOI. On the other hand the fund ECM-DEC was removed since its composition did not conform to the new investment policy.

INVESTMENT OF PENSION ASSETS

032 Investment principles and policy

033 Asset allocation

033 Geographic allocation

036 Main issuers

037 Asset classes and currencies

039 Investment performance

INVESTMENT PRINCIPLES AND POLICY

Year 2014 was marked as the year of implementing in full the new investment principles and policy, leaving behind a 5 year policy which KPST had followed. The new Declaration of Investment Principles is based on main long-term investment goal of KPST, which is: first to preserve and secondly to increase the contributors' capital in both nominal and real terms. This Declaration has adopted the Consumer Price Index in Kosovo as a benchmark against which the performance of KPST investments will be measured.

The Investment Policy Guideline (IPG) recognising there ought to be a balance between contributors who are close to retirement and those who are not, calls for a policy which contains a reasonable and not excessive allocation to long-term instruments from which the expected return and volatility are higher, such as equities; this in turn should be combined with a greater allocation to investments with expected lower volatility and more stable returns than equities.

With an increased emphasis on risk, the objective of the IPG is to offer more protection in downward markets, yet to reap the rewards when markets go upwards. Upon the successful selection of six new investment funds and the investing of €283m to them in line with the new investment framework, the transition to the new horizon for KPST investments can be deemed complete.

The new IPG also defines the schedule for its review and the revised version approved on September 11, 2014 is at present in force (the same can be obtained from the website of KPST, under the investment section). Furthermore, the Governing Board on quarterly basis checks the allocation for breaches to limits for asset classes or the investment strategy adopted by open-end fund managers. At the same time, through careful analysis, KPST investments are verified if they meet all the provisions of the Law on Pension Funds of Kosovo.

The current investment policy is based on a combination of: a) asset classes of financial instruments of direct investments as well as asset classes of indirect investments held by open-end funds; and b) investment strategy adopted by the investment fund.

For intersections of asset classes and strategies, minimum and maximum limits of investments are adopted. The table below shows asset classes and respective strategies, actual allocations (as of December 31, 2014) as well as the limits set for each by the Governing Board.

ASSET CLASS	STRATEGY	ACTUAL ALLOCATION	LIMITS
Cash/Kosovo securities	Dividend/Interest income	6.0%	1%-10%
Debt Instruments	Directional	17.1%	15%-25%
Multi-assets	Managed/Targeted risk; Absolute return	29.6%	25%-35%
Equities	Dividend/Interest income	7.8%	5%-11%
Equities	Managed/Targeted risk; Absolute return	8.0%	5%-11%
Equities	Directional	31.5%	25%-35%

Multi-asset funds mean funds that contain both equity and debt instruments of governments and global corporations such as e.g. bonds.

When it comes to the investment strategy, risk managed funds set placements through derivatives (such as futures – agreements for executing financial instruments in the future with a predetermined date and price), in order to protect from markets going into an unwanted direction.

Funds with risk targeting determine a risk level (target) for the volatility of the investment portfolio and on regular basis reallocate assets to restore the expected volatility to that level.

Absolute return funds aim to select stocks and debt instruments with the perceived greatest potential to generate positive returns, under the general belief that the lower volatility of debt instruments will itself counterbalance the volatility of stocks and reduce the overall risk.

Funds with a dividend investment strategy select in their portfolio only stocks of corporations with regular and stable dividend payments. The "Interest income" is supposed to include direct placements in interest-bearing instruments, such as term deposits and Kosovo debt securities.

The information as to where each direct placement of KPST falls, is provided in the next page.

ASSET ALLOCATION

€54.7m was the value of investments in Kosovo debt securities at the end of the year

KPST invests most assets through open-end-funds, which are managed by specialised companies operating in the global financial markets.

The Board requires that such instruments be liquid and well-diversified, to have a satisfactory performance, that fund managers have sufficient experience in the industry, and for their investments to be permitted with the Law on pension funds and the investment policy of KPST.

There were €332m invested in 2014, of which €283m went to the six new investment funds engaged, but there were also additions to funds chosen earlier by KPST (€49m). Out of the total amount invested in new investment funds, €142m were placed with two of Nordea's funds (€96m in Nordea 1-SRF and €46m in Nordea 1- GSEF); €51m with KBI; €35m with Tobam; €30m with Pictet; and €26m with AXA-WFOI. Assets invested with the existing funds were: €25m with the multi-assets fund of BNY Mellon, €15m with Schroders' bond fund and €9m with AXA-GILB inflation-linked bonds fund.

KPST investment in Kosovo securities varied during the year depending on their maturity and new emissions. They oscillated between €50m and €60m and closed the year with €54.7m. The Governing Board intends to continue investments in this instrument during 2015, in accordance with legal limits in force.

The only investment redeemed during 2014 was that with ECM-DEC fund (€23.8m) since the changes in the investment policy did not fit with the fund's investment portfolio. The withdrawal from ECM-DEC has resulted in a realised gain of €460,026 since the initial investment.

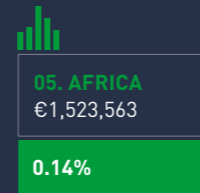
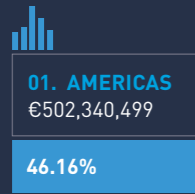
KPST closed 2014 with €1,078.3m invested in financial markets (2013: €703.9m), of which €54.7m in Kosovo and €1,023.7m globally. Not invested (in CBK) was cash at only €9.9m (2013: €209.6m).

INVESTMENT	ASSET CLASS/STRATEGY	ASSETS	ALLOCATION
Vanguard - Global Stock Index Fund	Equities / Directional	€343.0m	31.8%
BNY Mellon - Real Return Fund	Multi-assets / Absolute return	€166.2m	15.4%
Schroders - International Strategic Bond Fund	Debt instruments / Directional	€114.5m	10.6%
Nordea 1 - Stable Return Fund	Multi-assets / Managed risk	€100.8m	9.3%
AXA - Global Inflation Linked Bonds Fund	Debt instruments / Managed risk	€71.9m	6.7%
KBI - Institutional Dividend Plus Developed Equity Fund	Equities / Dividend	€54.9m	5.1%
Treasury of the Republic of Kosovo	Kosovo securities / Interest income	€54.7m	5.1%
Nordea 1 - Global Stable Equity Fund Unhedged	Equities / Managed risk	€50.3m	4.7%
Tobam - Anti-benchmark World Equity Fund	Equities / Targeted risk	€36.7m	3.4%
Pictet - High Dividend Selection	Equities / Dividend	€30.2m	2.8%
Aquila - Risk Parity 7 Fund	Multi-assets / Targeted risk	€28.8m	2.7%
AXA - World Fund Optimal Income	Multi-assets / Absolute return	€26.3m	2.4%
TOTAL INVESTED ASSETS		€1,078.3m	100.0%

GEOGRAPHIC ALLOCATION

Assets invested through open-end funds are invested through managers of these funds in equities, debt instruments, cash/ money markets and other corporate and sovereign financial instruments.

At the end of year KPST had direct and indirect investments in financial instruments through 1,949 issuers globally. The asset allocation by country on reporting date is presented in tabular form as well as according to their global spread.



NO	COUNTRY	%	ASSETS
01.	USA	41.67%	€453,427,443
02.	United Kingdom	11.04%	€120,097,575
03.	France	6.50%	€70,739,434
04.	Kosovo	5.94%	€64,639,695
05.	Germany	5.26%	€57,224,659
06.	Japan	4.73%	€51,490,948
07.	Canada	3.59%	€39,100,965
08.	Netherlands	3.48%	€37,873,941
09.	Switzerland	3.04%	€33,031,645
10.	Australia	2.43%	€26,414,632
11.	Italy	1.78%	€19,337,685
12.	Ireland	1.53%	€16,703,904
13.	Denmark	1.42%	€15,440,102
14.	Sweden	1.38%	€15,028,829
15.	Spain	1.18%	€12,816,908
16.	Luxembourg	0.89%	€9,639,534
17.	Hong-Kong	0.53%	€5,747,797
18.	New Zealand	0.44%	€4,802,018
19.	Mexico	0.43%	€4,696,158
20.	Norway	0.36%	€3,908,517
21.	Finland	0.35%	€3,798,572
22.	Singapore	0.25%	€2,690,341
23.	Israel	0.23%	€2,507,149
24.	Belgium	0.22%	€2,369,540
25.	India	0.14%	€1,565,509
26.	Non-specific/Others	1.21%	€13,163,614

MAIN ISSUERS

US Treasury returns at the top of the list

The US Treasury regained its position as first in the list of Top 20 issuers, with 7.40% of KPST assets (including cash at CBK) or €80.49m, surpassing the Kosovo Treasury which ranks second with 5.03% and a value of €54.70m. The Top 20 issuers listed below accounted for 29% of KPST assets (2013: 23%). The remaining 71% was comprised of 1,929 issuers each holding 0.5% or less of KPST assets.

The addition of six new investment funds during 2014 resulted in changes to the third of the list. None-the-less, there is a group of issuers, whose securities typically being in high and constant demand globally, have not dropped out of the Top 20 list during any of the last five years, and they are: US, UK, French, German and Dutch treasuries, as well as corporations such as Microsoft, Apple and Exxon Mobil.

ISSUER	ASSETS	ASSET ALLOCATION
01. United States Treasury	€80.49m	7.40%
02. Kosovo Treasury	€54.70m	5.03%
03. UK Treasury	€29.31m	2.69%
04. French Treasury	€15.24m	1.40%
05. Australian Treasury	€13.12m	1.21%
06. Microsoft Corp	€12.69m	1.17%
07. German Treasury	€12.34m	1.13%
08. Novartis Ag	€10.96m	1.01%
09. Apple Inc	€9.60m	0.88%
10. Roche Hldg Ag	€9.21m	0.85%
11. Netherlands Treasury	€8.91m	0.82%
12. Sanofi-Aventis	€8.65m	0.79%
13. Italian Treasury	€8.49m	0.78%
14. Johnson & Johnson	€7.43m	0.68%
15. Royal Dutch Shell	€7.32m	0.67%
16. Bayer Ag	€6.82m	0.63%
17. Exxon Mobil Corp	€6.23m	0.57%
18. Accenture Plc	€5.95m	0.55%
19. British American Tobacco	€5.86m	0.54%
20. Merck & Co Inc	€5.84m	0.54%

ASSET CLASSES AND CURRENCIES

Equities made up 67.3% of invested assets

Invested assets of KPST, both directly and indirectly, at the end of 2014 were 67.3% in equities, 33.0% in debt instruments, 3.6% in cash instruments, and net -3.9% on derivatives (2013: 57.4%, 40.4%, 0.4%, and net -1.8% respectively).

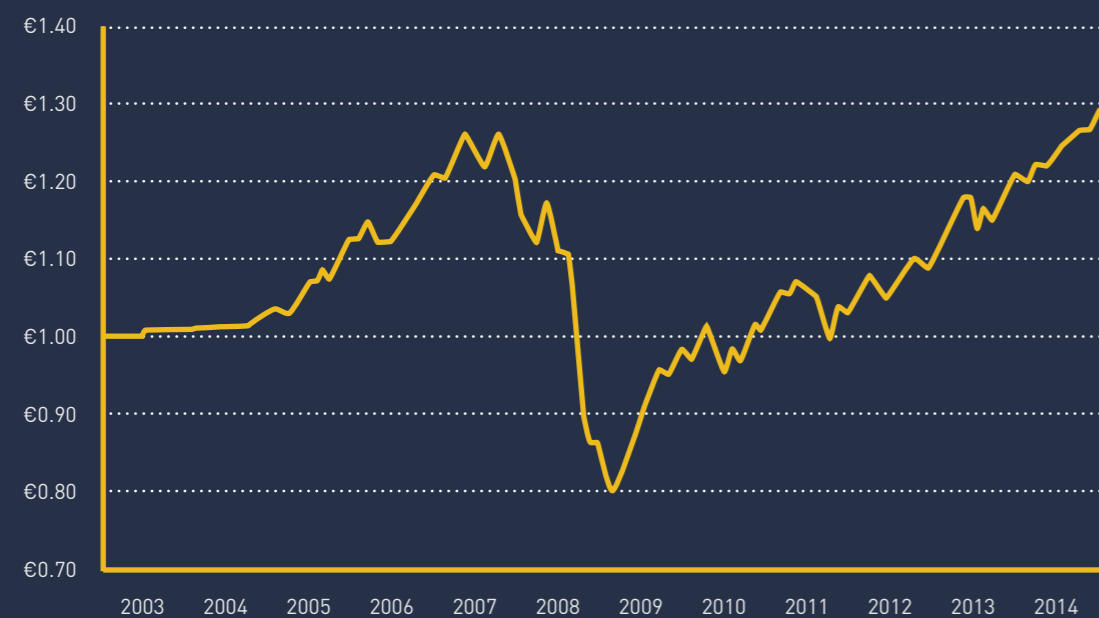
The investments in debt instruments (that were 33.0% of total investments), consisted of 98.8% in instruments not classified as high risk.

Placements, both direct and indirect, at the end of the year were in instruments denominated in some of the worlds major currencies, as follows: USD 43.1%; EUR 22.6%; GBP 12.6%; JPY 4.2%; AUD 2.8%; CAD 2.7%; CHF 2.7%; DKK 1.4%; SEK 1.1%; and others 6.8%.

INVESTMENTS IN DEBT INSTRUMENTS - RATED

RISK	RATING	QUALITY OF PLACEMENT	PERCENTAGE OF DEBT INSTRUMENTS
	No rating	Kosovo Treasury	15.0%
	AAA	Prime	29.9%
	AA	High	34.9%
	A	Upper middle tier	9.0%
	BBB	Lower middle tier	7.6%
	BB	Speculative	2.3%
	B	Highly speculative	1.0%
	C and below	High risk	0.2%
TOTAL			100.0%

KPST SHARE PRICE SINCE INCEPTION



INVESTMENT PERFORMANCE

A positive year for all KPST investments, primarily due to the recovery in US and EU stocks

The main financial markets in the US and EU continued to have another year of growth. When markets rise it is usually the equities benefiting the most, and they were the biggest contributor to this year's positive performance of KPST. This improvement in stock markets occurred as a result of falling unemployment and the economic growth in the US, but also from the expected economic recovery in Europe triggered with the stimulus measures announced by the European Central Bank. This year too had its strong periods of volatility, originating mainly from the political crisis between Russia and the West over Ukraine and the unrest in several Middle Eastern countries considered influential in global oil markets.

KPST investments in financial markets resulted in a 6.3% increase of its share price for the year, which serves as measurement of net performance of KPST for the period. Year 2014 closed with a record year-end price of €1.2879 per share (2013: €1.2117). The Vanguard equity index fund with €30.1m brought in the highest return in nominal terms (45.1% of the gross return), but it also had considerably the highest average allocation (32.8% of KPST assets). Because of the 9.3% performance for the year, Vanguard contributed more to the overall performance than allocation to it.

However, it was the equity fund with managed risk of Nordea-1 GSEF which with 16.2% had the best performance, and this only from the point when funds were invested in it (its annual performance was 26.8%). The dividend equities fund of Kleinwort Benson (KBI-IDPDE) also contributed well above average to the overall returns of KPST.

On the other side, there was increased demand for inflation-linked bonds traded by the GILB fund of AXA which reflected in its performance; the RP7 fund of Aquila also turned the corner well, and contributed positively to the overall performance of KPST.

The performance of the newly engaged funds was outstanding, especially considering not only their positive impact to returns but also their contribution to the reduction in the volatility of KPST performance by 20%, and to the reduction on risk contributing factors to the portfolio of KPST by 30%.

The net return, after fees charged on the fund came to €61.5m for the year (2013: €66.5m which includes €3.0m refunded to the fund from KPST operations).

INVESTMENT	AVERAGE ANNUAL ALLOCATION	GROSS RETURN	PERFORMANCE
Vanguard - GSIF	32.8%	€30.1m	9.3%
BNY Mellon - RRF	14.5%	€8.0m	6.0%
Schroders - ISB	10.1%	€3.1m	3.4%
AXA - GILB	6.2%	€5.5m	9.0%
Treasury of the Republic of Kosovo	5.7%	€1.0m	1.5%
Nordea 1 - SRF	3.9%	€4.8m	7.1%
Aquila - RP7	2.9%	€1.8m	6.7%
ECM - DEC	2.1%	€0.9m	3.2%
KBI - IDPDE	2.0%	€4.1m	8.8%
Nordea 1 - GSEF	1.8%	€5.3m	16.2%
Tobam - AWEF	1.4%	€1.7m	4.5%
Pictet - HDS	1.2%	€0.2m	1.9%
AXA - WFOI	1.1%	€0.3m	1.2%
TOTAL	85.7%	€66.8m	--
Not invested (CBK)	14.3%	--	--

4

CONTRIBUTIONS AND RETIREMENTS

042 First-time contributing and dormancy

043 Contributions

044 Retirements and benefit payments

FIRST-TIME CONTRIBUTING AND DORMANCY

Annual contributions paid in rose by 8.0%. The increase in benefit payments was 32.8%. First-time contributors: 9.1% of active contributors

KPST refers to individuals paying contributions for the reporting year, in this case year 2014, as active contributors. Whereas, first-time contributors, or 9.1% of active contributors, KPST refers to individuals that paid contributions for the first time for and during 2014 (2013: 10.4%).

First-time contributors numbered 25,897; while 33,917 members, or 12%, fell dormant (persons contributing in 2013 but not doing so in 2014). The number of members falling dormant does not include 3,567 contributors who withdrew their savings during 2013.

Meanwhile, 13.9% of first-time contributors were employed^[1] for the first time at the age of 40+, same as in the previous year (2013: 14.0%).

The average age for first-time employed contributors was 28, and 50% were 24 years or younger (2013: 28 and 25, respectively).

The self-employed, who made up 5% of first-time contributors (2013: 10%), were older on average. As in 2013 their average age was 35, and 50% were 33 years old or younger.

Women continued to increase their share of first-time contributors with 40.3% of the employed and 28.5% of the self-employed (2013: 36.1% and 21.8%, respectively), and

could imply that women are either becoming more skilled day by day and are increasingly taking advantage of opportunities in the labour market, or are moving into the formal economy at higher rates than men.

Women are falling dormant at lower rates than compared contributing for the first time, and make up 28.9% of the employed and 17.2% of the self-employed who fell dormant (2013: 26.7% and 16.2%, respectively).

Falling dormant mostly occurs between the ages of 24 and 26. In fact, 50% of contributors that fell dormant in 2014 were 30 years old or younger for the employed and 39 years old or younger for the self-employed (2013: 33 and 40, respectively). The figures imply a less stable employment at a younger age.

What could be viewed as a positive is that 15.8% of employed contributors who fell dormant in 2013 (i.e. not including the self-employed), contributed at least once during 2014 (2013: 15.7%).

Analysis of the data for the last five years reveals that 155,384 of the employed and 19,037 of the self-employed have contributed in each of the five years (2013: 144,985 and 18,495).

[1]

The term "employment" is used in the broadest context possible. KPST is not in a position to know whether contributions of first-time contributors were truly the result of their first employment. Furthermore, KPST can not know if that employment is permanent or for a fixed term, or for a specific task (temping).

Leaving out the self-employed, the analysis shows that 60% of first-time contributors finished the year without contributions, which could be understood to mean that they finished the year as formally unemployed (2013: 52%).

CONTRIBUTIONS

Out of €973.4m contributions received since inception, €913.0m remain under management

Contributions not under management, or €60.4m, are contributions paid out through benefit payments or refunds and were no longer part of fund (2013: €46.9m).

Total contributions received during 2014 were €128.7m (2013: €119.1m), and out of this, employers and the self-employed have paid €117.7m for 2014, €9.8m for 2013, €0.6m for 2012, and €0.7m for 2002-2011.

Contributions received during 2014 increased by 8.0% compared to the previous year. In 2013 the increase was 5.4% and in 2012 it was 4.6%. This is the third year running that increase in annual contributions received is not in double digits, as was the case during 2003-2011; none-the-less this year's increase can be seen as satisfactory and the possibility of returning to double digit increases in 2015 can not be excluded.

There were 3,553 new employers, more so than in the previous year (2013: 3,269). KPST considers as new employers: businesses, institutions, etc. that for the first time contribute on behalf of their employees.

On the other hand the number of employers falling dormant was 2,990, a 3.1% increase from previous year (2013: 2,900). As employers falling dormant KPST considers: businesses, institutions, etc. that contributed on behalf of their employees during the previous year but did not do so during the reporting year.

The number of active employers, those who contributed during the reporting year, had a net increase of 1,523 and reached a total of 21,918 (2013: 369 and 21,918 respectively).

CONTRIBUTIONS

PERIOD	RECEIVED	UNDER MANAGEMENT
2002-2010	€504.6m	€487.9m
2011	€108.0m	€99.9m
2012	€113.0m	€101.9m
2013	€119.1m	€108.0m
2014	€128.7m	€115.3m
TOTAL	€973.4m	€913.0m

COMPOSITION OF ASSETS UNDER MANAGEMENT

2013

CONTRIBUTIONS UNDER MANAGEMENT

87.4%

GAINS

12.6%

2014

CONTRIBUTIONS UNDER MANAGEMENT

83.9%

GAINS

16.1%

RETIREMENTS AND BENEFIT PAYMENTS

On average gains of 16.5% were realised by retirees and beneficiaries in 2014. The same figure for 2013 was 11.1%

During 2014 KPST Administration approved 4,045 new applications for the withdrawal of pension savings (2013: 3,567). The total of funds withdrawn by applicants in 2014 was €14.3m which consisted of nominal contributions in the amount of €12.3m. The total of accounts with withdrawals reached 24,548 since inception.

The number of individuals that withdrew their savings during 2014 as they had reached the retirement age of 65 was 3,095, or 76.4% of approved applications (2013: 2,676, or 75.0%). There were 143 cases of withdrawals due to the disability of the contributor, or 3.5% of approved applications (2013: 151, or 4.2%).

There were 810 cases of benefits paid to the beneficiaries of contributors that died prior to withdrawing their savings from KPST (2013: 740), and they made up 20.0% of approved applications (2013: 20.7%). In 35% of these cases contributors were younger than 55 when they died, 26% were 55-59, and 27% were 60-64 years.

Amounts transferred to the Phased Withdrawal Program (PWP) were €10.9m, whereas €3.4m were withdrawn in lump-sum payments. The transfer of funds to PWP, whose administration from 2011 to November 2014 had been entrusted to NLB Prishtina and from December 2014 to TEB Bank, made up 76.4% of total withdrawals for the reporting year (2013: 73.5%).

The percentage of retirees, i.e. those with retirement age reached, that were directed to PWP decreased slightly to 58.9% (2013: 60.3%). This was primarily as the minimum balance for being directed to the PWP was, following the recommendation of the Board and the approval of CBK, was increased to €2,250 from €2,000 from November 2014; even though the average balance in contributors' accounts reached €2,376 at the end of 2014 (2013: €2,107).

CBK at the end of 2014 changed the Regulation on the payment of individual pension savings. According to the amended Regulation, contributors reaching the retirement age of 65, as requested by KPST, can now choose to cash-in immediately 20% of their balance with the remainder having to be withdrawn through PWP until the savings are exhausted.

An exception to this rule are contributors who, at the moment of retirement have a balance below the PWP threshold of €2,250, and who shall withdraw total savings in lump-sum. The minimum monthly payment in PWP is set at €150 or 1% of balance on retirement, whichever is greater.

The CBK Regulation has also changed the manner in which persons that are recipients of a disability benefit as per the decision of Ministry of Labour and Social Welfare (MLSW), can withdraw their pension savings. The withdrawals for this category can be made only through PWP at €150 per month for as many months as can be financed from the balance of individual's savings up to the expiry of the disability benefit issued by MLSW.

Changes in the Regulation have not affected withdrawals from accounts of deceased contributors, whose beneficiaries can still cash-in the entire amount or can transfer it to their own pension savings account.

In all the cases when withdrawals are made in lump-sum, KPST must withhold personal income tax for such payments, in accordance with the Public Explanatory Decision No. 06/2014 of TAK.

PERIOD	WITHDRAWALS	
	CONTRIBUTIONS	FUNDS
2004-2010	€14.1m	€13.8m
2011	€5.7m	€5.7m
2012	€8.4m	€8.7m
2013	€9.7m	€10.7m
2014	€12.3m	€14.3m
TOTAL	€50.2m	€53.2m

PERCENTAGE OF WITHDRAWN FUNDS DIRECTED TO PWP

2014

76.4%

2013

73.5%



CONTRIBUTORS' DEMOGRAPHICS

- 048 Contributors
- 050 Geographic distribution of contributors
- 052 Contributor ages
- 053 Contributors by types of enterprise
- 054 Average contributions
- 056 Level of contributing
- 057 "How much should you save?"

CONTRIBUTORS

This chapter summarises main demographic data for participants of KPST in 2014 and compares them to the previous year

It is important to note that this chapter presents statistics relating to active contributors only, and not those of all 476,559 account-holders at KPST.

There were 285,914 active contributors during the year (2013: 277,267). With at least one contribution during the year as employed feature 259,802 individuals, whereas as self-employed feature 30,253; in these numbers 4,141 contributors are double-counted as they contributed both as employed and as self-employed during 2014.

The key to the adequate saving for retirement is the continuous and sufficient contributing. A quarter of all accounts across all age cohorts and genders is made up of very low and/or sporadic contributions.

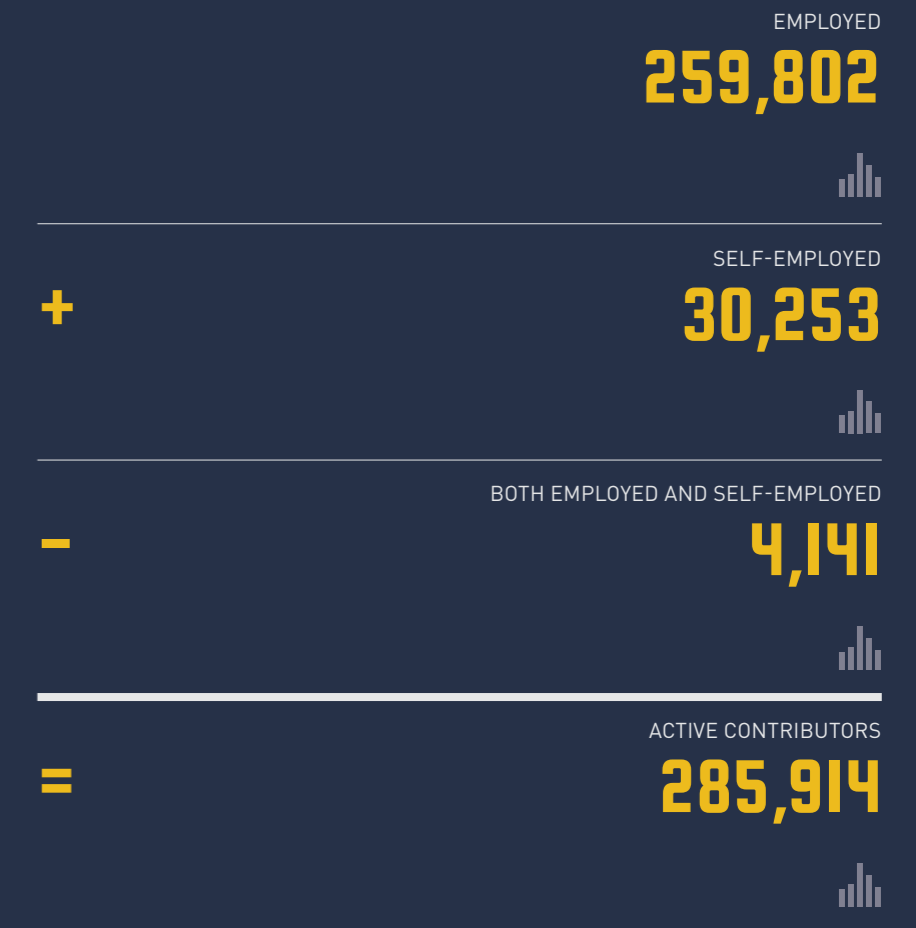
With the population of Kosovo estimated at 1.8m inhabitants it is difficult to believe that only 16% of the population was active during the reporting year (2013: 15%).

Under the assumption that unemployment statistics are correct, then the only reasonable conclusion is that there is a high degree of informality in Kosovo.

And this appears specifically true for agriculture and construction sectors, in which there is a high degree of disparity between employment statistics and the number of persons contributing.

KPST is highlighting such issues in the belief that it is fulfilling a part of its social obligation: for every Kosovo citizen to have saved enough for his/her retirement.

Understanding who, when, how much and how often contributes, can help in understanding achievements thus far and improvements to current policies that need to be made, with the final aim of the current pension scheme becoming a better scheme.



GEOGRAPHIC DISTRIBUTION OF CONTRIBUTORS

Since a large chunk of active contributors (around a third), were employed by the Ministry of Public Administration which is registered in Prishtina, it is not possible to gauge in which municipality contributors worked during the year.

This is why KPST presents only data based on the municipality of residence on record for each contributor.

There are still some contributors who do not inform KPST when they change their address, and the possible impact of such cases on data presented is unknown.

The number of contributors by municipality during 2014 shows the biggest increases (above 8%) only in municipalities which have a Serb majority.

These increases are believed to be the result of the political agreement reached between Kosovo and Serbia which foresaw the inclusion of certain members of this community in state institutions.



‡ This is the number of contributors with residence outside of Kosovo or for whom KPST has no information as to which municipality they belong.

NO.	MUNICIPALITY	NUMBER OF CONTRIBUTORS	PARTICIPATION	CHANGE IN THE NUMBER
01.	Prishtina	55,233	19.3%	2.6%
02.	Prizren	23,136	8.1%	1.9%
03.	Gjilan	16,895	5.9%	3.7%
04.	Ferizaj	16,485	5.8%	4.1%
05.	Peja	16,433	5.7%	2.3%
06.	Gjakova	15,518	5.4%	1.9%
07.	Podujeva	13,301	4.7%	3.0%
08.	Vushtrri	12,398	4.3%	0.8%
09.	South Mitrovica	11,679	4.1%	0.2%
10.	Glogovc	9,035	3.2%	1.8%
11.	Lipjan	8,615	3.0%	1.2%
12.	Suhareka	7,961	2.8%	-0.2%
13.	Skenderaj	7,335	2.6%	1.0%
14.	Malisheva	6,684	2.3%	3.8%
15.	Fushë Kosova	6,392	2.2%	3.2%
16.	Rahovec	5,721	2.0%	3.2%
17.	Istog	5,484	1.9%	1.8%
18.	Vitia	5,378	1.9%	3.3%
19.	Kamenica	5,205	1.8%	1.9%
20.	Klina	4,662	1.6%	1.5%
21.	Obilic	4,531	1.6%	2.9%
22.	Decan	4,172	1.5%	0.7%
23.	Kacanik	4,042	1.4%	1.2%
24.	Dragash	3,478	1.2%	3.3%
25.	Shtime	3,432	1.2%	2.6%
26.	Gracanica	1,772	0.6%	11.5%
27.	Leposavic	1,566	0.5%	68.8%
28.	North Mitrovica	1,320	0.5%	15.8%
29.	Shterpce	1,246	0.4%	9.0%
30.	Hani i Elezit	1,058	0.4%	0.7%
31.	Zvecan	1,031	0.4%	72.1%
32.	Zubin Potok	838	0.3%	22.0%
33.	Junik	562	0.2%	3.7%
34.	Partesh	505	0.2%	31.9%
35.	Novoberde	469	0.2%	8.8%
36.	Ranilug	444	0.2%	8.8%
37.	Klokot	431	0.2%	18.7%
38.	Mamusha	384	0.1%	-6.1%
	Others‡	1,083		

CONTRIBUTOR AGES

Average age of active contributors in 2014 has increased to 40.3 from 40.1 years in the previous year. The median remained the same, 38 years old.

Average age for self-employed contributors was 42.3 years, while the average age for employees was 40.2 years.

AVERAGE - MEN

41.4



AVERAGE - WOMEN

37.7



MEDIAN - MEN

40



MEDIAN - WOMEN

36.0



In general there were no major changes in the participation of age groups as a percentage of active contributors. Close to 2/3 of active contributors (66.5%) were under the age of 45; a year ago the same population made up 66.7% of the total.

In comparison with the previous year the 45-54 age group decreased marginally to 20.4% (2013: 20.6%). The two age groups 55-64 and 65+ with 12.2% and 0.8% respectively were slightly higher than in the previous year (2013: 11.9% and 0.7%, respectively).

AGE GROUP	2014	2013
15-24	11.9%	11.6%
25-34	29.4%	29.7%
35-44	25.2%	25.4%
45-54	20.4%	20.6%
55-64	12.2%	11.9%
65+	0.8%	0.7%

CONTRIBUTORS BY TYPES OF ENTERPRISE

The type of enterprise is determined according to their registration in the Kosova Business Registration Agency or in the Ministry of Public Administration.

It should be noted that public and social enterprises (e.g. regional water supply or waste companies, Post of Kosovo, or central heating companies, etc.), most of them are registered as joint stock companies; therefore they are presented along with other public and social companies in the joint stock companies group.

Employees in partnerships dropped by 22.8% in number and 24.5% in the full-time equivalent (FTE).

Most of them are responsible for increases in limited liability companies (LLC), which is believed to be the result of partner-owners seeking to limit the reach of executive procedures and are thereby converting partnerships to LLCs.

To illustrate the FTE the following example is used: if two employees have contributed during the year, one for 8 months and the other for 4 months, in number they are counted as two contributors, but in FTE they are calculated as the equivalent of 1.0 contributors for the year.

ENTERPRISE TYPE	CONTRIBUTORS IN NUMBER	COEFFICIENT	EQUIVALENT CONTRIBUTORS	CHANGE FROM 2013	
				CONTRIBUTORS IN NUMBER	EQUIVALENT CONTRIBUTORS
01. Budget organisations	85,238	.927	79,021	1.5%	1.0%
02. LLCs	79,090	.668	52,803	10.1%	12.4%
03. Individual businesses	68,585	.708	48,559	4.4%	6.1%
04. Self-employed	30,253	.825	24,959	0.9%	-2.1%
05. Joint stock companies	29,546	.868	25,645	-4.9%	4.0%
06. NGOs	14,706	.419	6,168	10.7%	3.8%
07. Partnerships	4,952	.648	3,208	-22.8%	-24.5%
08. Others	6,786	.709	4,813	-9.0%	-3.2%

AVERAGE CONTRIBUTIONS

Contributions paid by the employed in 2014 rose by 6% on average compared to the previous year, mainly because of 25% wage increases in the public sector. Self-employed contributed on average around 2% more.

When it comes to contributions by age groups, only the youngest group (15-24 years) on average contributed less than a year ago, while all other age groups show an increase.

The age group with the highest increase in average contributions was the 55-64 group with +10.6%; followed by the 65+ group with +10.0%.

For the self-employed the movements were varied: two age groups (15-24 years and 65+ years) were negative, one age group remained the same, while two age groups had only symbolic increases (45-54 years and 55-64 years).

When it comes to contributions by gender, women on average had a higher growth rate than men (6.9% vs 5.8%) when compared to the previous year.

Even amongst the self-employed women had a higher growth, but with a smaller difference.

Although with a higher rate of increase in average contributions for 2014, none-the-less women, compared to men, contributed on average 6.7% less when employed and 22.8% less when self-employed.

Presented below are the same statistics but for the last three years.



AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2012	€38.56	€25.58
2013	€38.94	€29.80
2014	€41.29	€30.41

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

	2014		2013		2012	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€24.81	€ 20.01	€24.97	€20.52	€24.76	€18.09
25-34	€38.3	€ 24.54	€37.14	€24.54	€37.09	€21.89
35-44	€45.75	€ 31.75	€42.85	€31.49	€42.08	€27.20
45-54	€45.18	€ 33.55	€41.65	€32.30	€40.87	€27.14
55-64	€48.46	€ 33.74	€43.80	€32.35	€43.63	€27.21
65+	€51.57	€ 28.00	€46.88	€28.37	€45.64	€21.42

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	 WOMEN		 MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2012	€36.68	€20.33	€39.38	€26.48
2013	€36.84	€23.66	€39.88	€30.88
2014	€39.37	€24.34	€42.19	€31.52

LEVEL OF CONTRIBUTING

The law requires that minimum contribution for employed and self-employed persons be based on the monthly minimum wages in Kosovo, which are: €130 for persons up to 35 years old; and €170 for persons older than 35.

Compared to last year, the percentage of contributions paid below the required minimum has continued to fall from 6.2% to 5.8% amongst the self-employed and from 3.7% to 2.9% amongst the employed, for years 2013 and 2014 respectively.

With 49.9%, the self-employed continue to largely contribute at the minimum required legal rate (2013: 57.6%); exposing this group of self-employed individuals to the risk of not saving sufficiently for their retirement.

This year, 3.8% of the employed showed the minimum gross income and contributed the required minimum (2013: 4.2%), while 93.3% (2013: 92.1%) of the employed were declared and contributed above the minimum. The remaining portion (2.92%) had gross incomes under the minimum and contributed below the legal minimum.

THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS OLD	1.12%	0.40%	43.62%
OVER 35 YEARS OLD	1.80%	3.40%	49.66%

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS OLD	0.80%	13.37%	15.51%
OVER 35 YEARS OLD	4.95%	36.51%	28.86%

“HOW MUCH SHOULD YOU SAVE?”

KPST sees it as part of its social responsibility to advise contributors on how much they should save in order to reach a savings balance that would provide security for their retirement.

Therefore below are presented some important suggestions and pieces of advice.

Example: supposing that the KPST share price increases at a constant rate of 4% per annum, a person finding employment on their 25th birthday and contributes only the minimum required contributions for the following 40 years, will have accumulated the balance of €18,142 on their pension savings account.

Nevertheless, knowing that inflation erodes the value of money, supposing that the inflation 2% per annum, the present value of the balance from the above example would be €8,216.

This amount, saved through minimum required contributions, would be insufficient to purchase an economically-viable life annuity.

In today's circumstances, such a person would retire through the Phased Withdrawal Program. They would have the possibility of receiving 20% in lump-sum, and monthly withdrawals of €150 per month would last them less than 4 years.

Life annuities are not yet being offered in Kosovo, and without such products in the market it is difficult to gauge the savings balance required to purchase the minimum life annuity.

On the other hand, it is somewhat difficult to believe that savings below €25,000 (at present value), would suffice to purchase a life annuity.

With this amount as a target, a person getting employed at the age of 25 and who works until retirement without receiving a raise, must contribute €41.50 each month (both employee and employer). But if the same person receives a 1% pay raise each year and have the same target, they would need to start with monthly contributions of €34.30 and on the year preceding their 65th birthday their contributions would need to be €74.23 per month.

In the latter case, average monthly contributions would be €51.74, or €10 more than in the former case. Starting as early and with as high contributions as possible is therefore very important.

As it happens, there are many individuals in Kosovo who are continually in and out of employment, or individuals with low salaries or those that join later in the pension scheme and have less years to save; for these individuals it will be very difficult to secure a sufficient pension only through the mandatory pension savings.

KPST staff are here to help and advise anybody who wishes to know how to save for a better pension; at the same time KPST and its Governing Board will do everything they can to increase the value of contributors' savings for the purpose of securing a happier retirement for them.

6

LEGAL FRAMEWORK

LEGAL FRAMEWORK

The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, together with its subsequent amendment with Law No. 04/L-168, provides for a detailed list of functions and responsibilities of KPST and its Board. Further detailed and regulated through the pension rules of CBK as well as directives of TAK for the manner of reporting, contributing, correction and taxation of pension contributions.

With the purpose of improving the functioning of KPST and its bodies, the serving of contributors' interests, as well as energising investments, KPST suggests additions and amendments to several points in the current Law on Pension Funds of Kosovo

1. DIRECT INVESTMENT IN FINANCIAL MARKETS	KPST should be allowed up to a certain level, as specified and overseen by CBK, to invest directly in financial markets.
2. REVIEW OF FINANCIAL INSTRUMENTS AND LIMITS	The Law should allow KPST to invest in more financial instruments than currently permitted; there should be a review of investment limits which should help and not be a barrier to the investment strategy.
3. TREATMENT OF INVESTMENT FEES	KPST currently applies two fees: one for investments and the other for operations. Investments should be treated as expenses of the pension fund and not as expenses of KPST operation. Assembly should by law set a maximum fee, with which KPST can engage investment funds. The operational fee, approved by the Assembly, should be a "ceiling" and the Board should have the right to reduce it for the remainder of the year not to accumulate a surplus.
4. PERMANENT COMMITTEES TO BE SPECIFIED IN THE LAW	The composition and decision-making in the Governing Board permanent committees should be specified in the Law, especially that of the Audit Committee, where the inclusion of two external members can be foreseen.
5. GOVERNING BOARD MEMBERS MANDATES	Governing Board members should have longer mandates. The current 3-year mandate is too short given that the appointment process takes several months to go through all the required stages.
6. PROFESSIONAL BOARD MEMBERS	At least two Board members should have experience in managing funds with over €300m in assets.
7. WITHDRAWAL OF SAVINGS	The ability to withdraw 20% of savings in lump-sum come retirement should be set in the law. Currently this is regulated with regulations of CBK only.
8. WITHDRAWAL OF SAVINGS IN CASE OF DISABILITY	In cases when disability periods do not exceed the retirement age (of 65) the withdrawal of pension savings should not be allowed. Instead, the Ministry of Labour and Social Welfare should pay the minimum legal contributions for the disabled persons for as long as they remain disabled.
9. SENDING ANNUAL ACCOUNT STATEMENTS	With the purpose of using as rationally as possible fees charged to contributors' assets, the Law should not oblige KPST to mail account statements once a year to all its contributors.
10. CONTRIBUTION RATE	Current contribution rates of 5%+5% do not ensure the sufficient accumulation of pension savings for all contributors, whereby a significant number of contributors risk not having sufficient income from pension savings after retirement. Therefore, an increase in the minimum nominal contributions is necessary.



KOSOVO PENSION SAVINGS TRUST OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

- 064** Independent auditor's report
- 066** Statement of financial position
- 067** Statement of comprehensive income
- 068** Statement of changes in net assets attributable to KPST Operations
- 069** Statement of cash flows
- 070** Notes to the financial statements

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, 2014, 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.

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, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLC

GRANT THORNTON LLC

Pristina, Kosovo

April 14 2015

	NOTES	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
		EUR	EUR
ASSETS			
Current Assets			
Cash in hand and at banks	4	1,293,109	888,141
Held to maturity investments	5	4,897,475	4,000,000
Account receivables	6	406,516	350,373
Prepaid expenses		20,479	45,151
		6,617,579	5,283,665
Fixed Assets			
Property, plant and equipment	7	146,182	159,566
Intangible assets	8	193,236	233,691
		339,418	393,257
TOTAL ASSETS		6,956,997	5,676,922
LIABILITIES			
Current Liabilities			
Accounts payable		870,638	629,542
		870,638	629,542
Net assets attributable to KPST Operations		6,086,359	5,047,380

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 14, 2015.


Dr. Prof. Ymer Havolli
Chairperson of the Board


Mr. Adrian Zalli
Managing Director




Mr. Vërshim Hatipi
Deputy Director – Finance and IT

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
INCOME			
Fees charged on pension assets	10	5,269,319	4,599,464
Other income	11	273,510	314,706
TOTAL INCOME		5,542,829	4,914,170
EXPENSES			
Investment expenses			
Open-end vehicle net fees	12	(3,039,313)	(2,836,938)
CBK transfer and maintenance charges		(53,244)	(30,422)
Brokerage, custody and pledge expenses		(11,487)	(25,508)
		(3,104,044)	(2,892,868)
Operational expense			
Governing Board expenses	13	(177,863)	(147,914)
Staff costs	14	(521,541)	(522,970)
Account statements and correspondence		(300,707)	(112,094)
Office operating expenses		(82,631)	(88,529)
Public education and advertising		(33,824)	(19,901)
Software maintenance		(54,525)	(36,271)
CBK supervision charges		(7,755)	(15,539)
Depreciation and amortisation	7-8	(144,257)	(103,319)
Professional services/Contractors/Consultants	15	(9,952)	(2,920)
External audit		(9,900)	(9,900)
Disaster recovery - rent and other associated costs		(17,177)	(8,616)
Meetings and conferences		(937)	(808)
Communication		(11,662)	(8,860)
Bank charges		(8,440)	(3,982)
Other costs		(16,135)	(13,851)
		(1,397,306)	(1,095,474)
TOTAL EXPENSES		(4,501,350)	(3,988,342)
SURPLUS FOR THE YEAR		1,041,479	925,828

	NOTES	SURPLUS	RESERVE	TOTAL
		EUR	EUR	EUR
AS AT JANUARY 1, 2013		7,121,552	--	7,121,552
Surplus for the year		925,828	--	925,828
Transfers to reserves		(5,000,000)	5,000,000	--
Return of surplus to KPST-PA		(3,000,000)	--	(3,000,000)
AS AT DECEMBER 31, 2013		47,380	5,000,000	5,047,380
Surplus for the year	9	1,041,479	--	1,041,479
Donations		(2,500)	--	(2,500)
AS AT DECEMBER 31, 2014		1,086,359	5,000,000	6,086,359

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		1,041,479	925,828
Adjustments for:			
Depreciation and amortisation	7-8	144,257	103,319
		1,185,736	1,029,147
Changes in operating assets and liabilities:			
Increase in accounts payable / accruals		241,096	146,140
(Increase) Decrease in accounts receivable / prepaid expenses		(31,471)	174,418
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,395,361	1,349,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(58,624)	(144,208)
Purchase of software and licenses		(31,794)	(53,966)
(Increase) Decrease in held to maturity investments		(897,475)	2,000,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		(987,893)	1,801,826
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of surplus to KPST-PA		--	(3,000,000)
Donations		(2,500)	--
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,500)	(3,000,000)
INCREASE IN CASH AND CASH EQUIVALENTS		404,968	151,531
Cash and cash equivalents at the start of the year		888,141	736,610
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	1,293,109	888,141

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 2014 (2013: 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. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-O. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**2.3.1 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014**

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

IFRIC 21 'LEVIES'

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date;
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has no material effect on the KPST-O financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)****2.3.1 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014 (CONTINUED)****Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off';
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the KPST-O does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the KPST-O financial statements for any period presented.

RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS (AMENDMENTS TO IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments are applied retrospectively in accordance with their transitional provisions.

The application of IAS 36 does not impact KPST-O financial statements.

2.3.2 EARLY ADOPTION OF 'DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)'

The amendments to IAS 19 made a number of changes to the accounting for employee benefits. These amendments are effective for annual periods beginning on or after 1 July 2014 and:

- clarify the requirements of IAS 19 relating to contributions from employees or third parties;
- introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered.

The application of 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)****2.3.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY KPST-O**

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' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

KPST-O management has yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The application of IFRS 15 does not impact KPST-O financial statements.

AMENDMENTS TO IFRS 11 'JOINT ARRANGEMENTS'

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

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

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 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of KPST-O 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, and accumulated impairment losses, if any.

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%.

3.3 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.

3.4 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, or liabilities 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)**3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS**

The carrying value of non-financial 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.

3.6 INVESTMENTS

All purchases and sales of securities are recognised at the trade date. Trade date is the date on which KPST-0 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-0 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-0 are classified as available for sale. These investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.6 INVESTMENTS (CONTINUED)**

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-0 measured at fair value. Due to the fact that absolute surplus liquidity of KPST-0 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.

3.9 PENSION COSTS

KPST-0 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 depreciable assets

Management reviewed the useful lives of depreciable assets at 31 December 2014. Management estimates the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Notes 7 and 8. However, the factual results may differ due to the technological obsolescence.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

	AS AT DECEMBER 31 2014		AS AT DECEMBER 31 2013	
	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	1,293,109	--	888,141	--
Held to maturity investments	4,897,475	--	4,000,000	--
Account receivables	406,516	--	350,373	--
	6,597,100	--	5,238,514	--
FINANCIAL LIABILITIES				
Account payables	870,638	--	629,542	--
	870,638	--	629,542	--
MATURITY GAP	5,726,462	--	4,608,972	--

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 and balances are 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.

INTEREST-BEARING	AS AT DECEMBER 31 2014		AS AT DECEMBER 31 2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	EUR	EUR	EUR	EUR
FIXED RATE				
Held to maturity investments	4,897,475	--	4,000,000	--
TOTAL	4,897,475	--	4,000,000	--

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2014 and 2013.

	AS AT DECEMBER 31 2014		AS AT DECEMBER 31 2013	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	EUR	EUR	EUR	EUR
FINANCIAL ASSETS				
Cash in hand and at banks	1,293,109	1,293,109	888,141	888,141
Held to maturity investments	4,897,475	4,897,475	4,000,000	4,000,000
Account receivables	406,516	406,516	350,373	350,373
	6,597,100	6,597,100	5,238,514	5,238,514
FINANCIAL LIABILITIES				
Account payables	870,638	870,638	629,542	629,542
	870,638	870,638	629,542	629,542

4. CASH IN HAND AND AT BANKS

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Raiffeisen Bank Kosovo - Current account	1,029,350	278,688
ProCredit Bank - Current account	134,279	481,482
NLB Prishtina - Current account	125,657	124,782
Raiffeisen Bank International (Austria) - Current account	3,414	2,673
Cash in hand	409	516
TOTAL CASH IN HAND AND AT BANKS	1,293,109	888,141

5. HELD TO MATURITY INVESTMENTS

	NOTES	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
		EUR	EUR
Term deposits	5.1	--	4,000,000
Kosovo Treasury debt instruments	5.2	4,897,475	--
TOTAL HELD TO MATURITY INVESTMENTS		4,897,475	4,000,000

5.1 TERM DEPOSITS

As of December 31, 2014 there were no term deposits placements. The balance of terms deposits as of December 31, 2013 of EUR 4,000,000 represented deposits with local banks with original maturity of 12 months which carried interest rates in the range of 2.63% -2.90% p.a. and which matured during year ending December 31, 2014.

5. HELD TO MATURITY INVESTMENTS (CONTINUED)

5.2 KOSOVO TREASURY DEBT INSTRUMENTS

	2014	2013
	EUR	EUR
AS AT JANUARY 1		
PLACEMENTS		
KV1102320237 T-Bill Mat. 20.11.2014 @0.95%	--	2,488,114
KV1105640563 T-Bill Mat. 09.12.2015 @2.20%	4,891,198	--
	4,891,198	2,488,114
INTEREST		
KV1102320237 T-Bill Mat. 20.11.2014 @0.95%	--	11,886
KV1105640563 T-Bill Mat. 09.12.2015 @2.20%	6,277	--
	6,277	11,886
REDEMPTIONS (UPON MATURITY)		
KV1102320237 T-Bill Mat. 20.11.2014 @0.95%	--	(2,500,000)
	--	(2,500,000)
AS AT DECEMBER 31	4,897,475	--

The Kosovo Treasury securities are not yet rated. It is the intention of the Governing Board to hold to maturity its investments of KPST-O in Kosovo Treasury debt instruments.

6. ACCOUNT RECEIVABLES

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Receivables from KPST-PA	366,825	294,010
Rebates receivable from open-end funds	37,965	31,368
Other account receivables	1,726	24,995
TOTAL ACCOUNT RECEIVABLES	406,516	350,373

As at December 31, 2014 the balance of receivables from KPST-PA amounting EUR 366,825 (2013: EUR 294,010) relates to the fee charged on participants' accounts amounting EUR 319,203 (2013: EUR 292,357), as well as differences from refunds of erroneous contributions amounting EUR 47,622 (2013: EUR 1,653); 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, 2013	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
Additions for the year	39,059	--	19,565	--	58,624
Disposals for the year	--	--	--	--	--
AS AT DECEMBER 31, 2014	281,901	20,716	68,001	53,365	423,983
ACCUMULATED DEPRECIATION					
AS AT JANUARY 1, 2013	(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)
Charge for the year	(59,490)	(931)	(6,989)	(4,598)	(72,008)
Eliminated through disposals	--	--	--	--	--
AS AT DECEMBER 31, 2014	(174,661)	(19,253)	(34,354)	(49,533)	(277,801)
NET BOOK VALUE					
AS AT DECEMBER 31, 2014	107,240	1,463	33,647	3,832	146,182
AS AT DECEMBER 31, 2013	127,671	2,394	21,071	8,430	159,566

As at 31 December 2014 and 2013, there are no encumbrances over KPST-O assets.

8. INTANGIBLE ASSETS

	SOFTWARE AND LICENSES
	EUR
COST	
AS AT JANUARY 1, 2013	285,832
Additions for the year	53,966
Disposals for the year	--
AS AT DECEMBER 31, 2013	339,798
Additions for the year	31,794
Disposals for the year	--
AS AT DECEMBER 31, 2014	371,592
ACCUMULATED AMORTISATION	
AS AT JANUARY 1, 2013	(45,235)
Charge for the year	(60,872)
Eliminated through disposals	--
AS AT DECEMBER 31, 2013	(106,107)
Charge for the year	(72,249)
Eliminated through disposals	--
AS AT DECEMBER 31, 2014	(178,356)
NET BOOK VALUE	
AS AT DECEMBER 31, 2014	193,236
AS AT DECEMBER 31, 2013	233,691

9. SURPLUS

	OPERATIONAL ACTIVITIES	INVESTMENT ACTIVITIES	TOTAL
	EUR	EUR	EUR
INCOME FOR THE YEAR 2014			
Income from fees charged	1,292,475	3,976,844	5,269,319
Non-fee income	264,551	8,959	273,510
	1,557,026	3,985,803	5,542,829
Expenses for the year 2014	(1,397,306)	(3,104,044)	(4,501,350)
SURPLUS FOR THE YEAR 2014	159,720	881,759	1,041,479
Surplus at the start of the year	47,380	--	47,380
Donations	(2,500)	--	(2,500)
SURPLUS AT THE END OF THE YEAR	204,600	881,759	1,086,359

In April 2014 the Governing Board decided to donate funds worth EUR 10,000 obtained through confiscating tender securities. These funds formed part of the surplus from operational activities at the start of the year. During the year ending December 31, 2014 funds amounting EUR 2,500 were donated to a single non-governmental organisation.

During 2013 the Governing Board decided to refund EUR 3,000,000 to contributors' pension assets (KPST-PA) from surpluses from joint and operational activities leaving a surplus balance of only EUR 47,380 as of December 31, 2013.

10. FEES CHARGED ON PENSION ASSETS

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Fees charged for joint activities	--	1,796,645
Fees charged for investment activities	3,976,844	2,009,569
Fees charged for operational activities	1,292,475	793,250
TOTAL FEES CHARGED ON PENSION ASSETS	5,269,319	4,599,464

Fees are accrued on daily basis according to the formula:

$$\text{Fee} = [\text{Gross Participants' Assets}] * [\text{Rate}] / [\text{Number of calendar days in a year}]$$

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2014 amounted EUR 5,269,319 (2013: EUR 4,599,464).

For the year ending December 31, 2014 fees charged in accordance with Law Nr. 04/L-168 were 0.40% p.a. for investment activities and 0.13% p.a. for operational activities. From May 20, 2013 and up to December 31, 2013 fees charged were 0.38% p.a. for investment activities and 0.15% p.a. for operational activities. From January 1, 2013 and up to May 20, 2013 joint fees of 0.60% p.a. (covering both investment and operational activities) were charged in accordance with Law Nr. 04/L-101. Fees are at all times approved by the Assembly of the Republic of Kosovo.

11. OTHER INCOME

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Interest income on held to maturity investments	93,892	233,384
Differences from refunds of erroneous contributions	164,733	71,300
Other income from operational activities	5,926	10,022
Other income from investment activities	8,959	--
TOTAL OTHER INCOME	273,510	314,706

12. OPEN-END VEHICLE NET FEES

	YEAR ENDED DECEMBER 31 2014			YEAR ENDED DECEMBER 31 2013		
	GROSS FEE	REBATE	NET FEE	GROSS FEE	REBATE	NET FEE
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard - GSIF	813,537	(390,498)	423,039	1,185,522	(789,074)	396,448
BNY Mellon - RRF	868,854	--	868,854	763,930	--	763,930
AXA - GILB	246,174	(30,762)	215,412	472,252	(39,207)	433,045
Schroders - SISF	508,375	--	508,375	453,392	--	453,392
Aquila - RP7	231,565	--	231,565	625,429	--	625,429
ECM - DEC	101,033	--	101,033	113,244	--	113,244
Nordea 1 - GSEF	81,464	--	81,464	--	--	--
Nordea 1 - SRF	232,940	--	232,940	--	--	--
KBI - IDPDEF	152,493	--	152,493	--	--	--
AXA - WFOI	61,130	--	61,130	--	--	--
Pictet - HDS	76,744	--	76,744	--	--	--
Tobam - ABWEF	86,264	--	86,264	--	--	--
State Street - EMIF	--	--	--	51,450	--	51,450
TOTAL OPEN-END VEHICLE NET FEES	3,460,573	(421,260)	3,039,313	3,665,219	(828,281)	2,836,938

13. GOVERNING BOARD EXPENSES

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Trustees honoraria	99,799	90,403
Fiduciary Insurance	26,677	21,503
Meetings (Travel/Hotel/Other costs)	45,598	31,370
Employer's pension contributions	5,789	4,638
TOTAL GOVERNING BOARD EXPENSES	177,863	147,914

14. STAFF COSTS

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Staff salaries	404,895	397,020
Overtime, bonuses and retention fees	46,109	60,619
Employer's pension contributions	42,984	43,444
Staff training	4,613	3,573
Health insurance	7,930	6,225
Travel and other staff expenses	15,010	12,089
TOTAL STAFF COSTS	521,541	522,970

15. PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Translation and proofreading services	3,742	1,688
Design services	6,001	--
Notary/Legal services	209	1,200
Other	--	32
TOTAL PROFESSIONAL SERVICES/CONSULTANTS/CONTRACTORS	9,952	2,920

16. EVENTS AFTER THE REPORTING PERIOD

For the first two months of 2015 the KPST-O has following financial data based on unaudited financial statements for those two months.

**AS AT
FEBRUARY 28
2015**

EUR

Total assets	6,782,759
Current liabilities	(614,557)
NET ASSETS ATTRIBUTABLE TO KPST OPERATIONS	6,168,202

**FOR THE PERIOD
JANUARY 1 TO
FEBRUARY 28
2015**

EUR

Total income	975,736
Total expenses	(893,913)
NET SURPLUS	81,823

On March 12, 2015 the Assembly of Kosovo approved investment fees of 0.40% p.a. of assets and operating fees of 0.085% p.a. of assets for the remainder of year ending December 31, 2015.

There are no additional subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2014.



KOSOVO PENSION SAVINGS TRUST PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

- 094** Independent auditor's report
- 096** Statement of financial position
- 097** Statement of comprehensive income
- 098** Statement of changes in net participants' assets
- 099** Statement of cash flows
- 100** Notes to the financial statements

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 – Pension Assets (the “KPST-PA”), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in net participants’ 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kosovo Pension Savings Trust – Pension Assets as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to note 16 to financial statements which describes that receipts from participants amounting to EUR 10,795,420 were not attributed to individual participant's accounts as at December 31, 2014. As of December 31, 2013 the amount not attributed to individual participant's accounts was EUR 12,849,215. During 2014 KPST attributed the amount of EUR 1,560,328 to individual accounts from the amount outstanding as of December 31, 2013. Our opinion is not qualified in respect of this matter.

Grant Thornton LLC

GRANT THORNTON LLC

Pristina, Kosovo
April 14, 2015

	NOTES	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
		EUR	EUR
ASSETS			
Cash at bank	4	9,938,218	209,646,903
Contribution receivables	5	7,984,158	7,869,239
Available for sale investments	6	1,023,619,618	650,832,621
Held to maturity investments	7	54,701,478	53,122,905
		1,096,243,472	921,471,668
LIABILITIES			
Liabilities towards KPST-Operations	8	366,825	294,010
Liabilities for repurchased shares	9	118,203	112,347
Non-contributions	10	13,688	13,334
		498,716	419,691
NET PARTICIPANTS' ASSETS		1,095,744,756	921,051,977

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 14, 2015.



Dr. Prof. Ymer Havolli
Chairperson of the Board



Mr. Adrian Zalli
Managing Director




Mr. Vërshim Hatipi
Deputy Director – Finance and IT

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
INCOME			
Revaluation of available for sale investments – net	11	65,791,957	67,528,194
Interest income from held to maturity investments	12	952,061	430,207
Interest income from bank deposits	13	--	173,172
Other income	14	--	3,000,000
		66,744,018	71,131,573
EXPENSES			
Fees charged on participants' accounts	15	(5,269,319)	(4,599,464)
		(5,269,319)	(4,599,464)
INCREASE IN NET PARTICIPANTS' ASSETS		61,474,699	66,532,109

	PARTICIPANTS' CONTRIBUTIONS	RETAINED EARNINGS	TOTAL
	EUR	EUR	EUR
AS AT JANUARY 1, 2013	697,410,643	50,077,044	747,487,687
Contributions	119,291,741	--	119,291,741
Repurchases due to withdrawal of savings	(9,674,931)	(1,074,936)	(10,749,867)
Repurchases due to refunds	(1,438,393)	(71,300)	(1,509,693)
Increase in net participants' assets	--	66,532,109	66,532,109
AS AT DECEMBER 31, 2013	805,589,060	115,462,917	921,051,977
Contributions	128,862,934	--	128,862,934
Repurchases due to withdrawal of savings	(12,256,211)	(2,022,630)	(14,278,841)
Repurchases due to refunds	(1,201,279)	(164,734)	(1,366,013)
Increase in net participants' assets	--	61,474,699	61,474,699
AS AT DECEMBER 31, 2014	920,994,504	174,750,252	1,095,744,756

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net participants' assets	--	61,474,699	66,532,109
Movement of working capital:			
Increase in fees payable	8	26,846	59,651
Increase in liabilities for non-contributions	10	354	8,442
NET CASH FLOWS FROM OPERATING ACTIVITIES		61,501,899	66,600,202
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease / (Increase) in available for sale investments	--	(372,786,997)	15,486,768
(Increase) in held to maturity investments	--	(1,578,573)	(23,073,909)
Decrease in investments in bank deposits	--	--	16,428,599
NET CASH FLOWS FROM INVESTING ACTIVITIES		(374,365,570)	8,841,458
CASH FLOWS FROM INVESTING ACTIVITIES			
Participants' contributions received	--	128,748,014	119,156,250
Withdrawal of savings	--	(14,317,568)	(10,711,142)
Refunds	--	(1,275,460)	(1,568,003)
NET CASH FLOWS FROM INVESTING ACTIVITIES		113,154,986	106,877,105
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(199,708,685)	182,318,765
Cash and cash equivalents at the start of the year		209,646,903	27,328,138
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	9,938,218	209,646,903

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 2014 (2013: Director and 25 permanent staff members).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPLIANCE

The financial statements of KPST-PA have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 BASIS OF PREPARATION

KPST-PA 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. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

IFRIC 21 'LEVIES'

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date;
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has no material effect on the KPST-PA financial statements. standards is presented below.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.3.1 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2014 (CONTINUED)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off';
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the KPST-PA does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the KPST-PA financial statements for any period presented.

RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS (AMENDMENTS TO IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments are applied retrospectively in accordance with their transitional provisions. The application of IAS 36 does not impact KPST-PA financial statements.

2.3.2 EARLY ADOPTION OF 'DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)'

The amendments to IAS 19 made a number of changes to the accounting for employee benefits. These amendments are effective for annual periods beginning on or after 1 July 2014 and:

- clarify the requirements of IAS 19 relating to contributions from employees or third parties;
- introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered.

The application of IAS 19 does not impact KPST-PA financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.3.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY KPST-PA

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-PA.

Management anticipates that all of the relevant pronouncements will be adopted in KPST-PA 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-PA 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-PA financial statements.

IFRS 9 'FINANCIAL INSTRUMENTS' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

KPST-PA management has yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The application of IFRS 15 does not impact KPST-PA financial statements.

AMENDMENTS TO IFRS 11 'JOINT ARRANGEMENTS'

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 REVENUE AND EXPENSE RECOGNITION

Revenues consist of gross returns of financial instruments whose recognition and measurement is disclosed in the respective accounting policies included in this note, with interest on bank deposits recognised on accrual basis.

Expenses consist of fees accrued on daily basis by specified rates being charged by KPST Operations on the gross daily pension assets.

3.2 CONTRIBUTIONS

Contributions from participants are accounted for on accrual basis.

3.3 WITHDRAWALS OF SAVINGS AND REFUNDS

Withdrawals of savings, or benefit payments, which are payable to members or their successors, as well as refunds of erroneous contributions, are accounted for in the period in which the redemption of respective units occurs.

3.4 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 net income. Financial instruments are offset when KPST-PA 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.

3.5 INVESTMENTS

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

Held to maturity investments

Held to maturity investments are represented by deposits or investments with fixed or determinable payments and fixed maturity which KPST-PA 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 for deposits is calculated on time accrual basis. Government or treasury bills and notes at the time of acquisition are valued at their discounted values with subsequent valuations done at amortised costs.

Available for sale investments

Investment securities in the open-end mutual funds held by KPST-PA 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 INVESTMENTS (CONTINUED)

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, the financial instruments of KPST-PA measured at fair value are explained as follows:

CLASS OF INVESTMENT	LEVEL	AS AT	AS AT
		DECEMBER 31 2014	DECEMBER 31 2013
		EUR	EUR
Available for sale investments	1	1,023,619,618	650,832,621

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2014 and 2013.

Impairment

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

3.6 CASH AND CASH EQUIVALENTS

For cash flow purposes, cash and cash equivalents consist of cash at bank, cash on hand and short term deposits with an original maturity of up to three months. Bank deposits that require a notice to be given prior to their withdrawal, but which the Governing Board has no intentions of redeeming are excluded from cash and cash equivalents.

3.7 TAXATION

KPST pension assets are exempt from the payment of corporate profit taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT

The liabilities towards contributors of KPST-PA are always equal to the value of participants' net assets, i.e. no financing gap for future benefits exists, which is why no actuarial valuations are performed by KPST-PA. KPST-PA liabilities do not consist of any financial instruments, e.g. funds borrowed from other financial institutions, which is why risk management for liabilities part of KPST-PA is not deemed necessary.

When it comes to assessing the risk of financial instruments which form part of assets of KPST-PA, the overwhelming majority of investments are through Open-end vehicles, which effectively means that the day-to-day risk management function is outsourced to the providers of Open-end vehicles. As a result the KPST-PA financial assets are directly exposed to only a limited number of risks (namely price risk) and with a limited portion of assets, which the Governing Board seeks to manage through its investment policy.

The investment policy above all requires for invested assets, whether directly or indirectly, to be highly diversified across issuers and asset classes as well as across investment approach of Open-end vehicles themselves. Further, as a way to manage the direct risks the policy sets limits as to the proportion of assets that can be invested in instruments of a given asset class (Pure equity vehicles: 50%; Multi-asset class vehicles: 40%; Pure debt securities vehicles: 30%; and money markets and Kosovo treasury bills and bonds: 10%); as well as limits as to the proportion of assets that can be invested in instruments of a given investment approach (Directional return/Non risk adjusted vehicles: 55%; Risk targeted/Risk managed/ Absolute return vehicles: 40%; and Pure income vehicles: 25%). Within this framework the Governing Board makes decisions whether to increase or reduce exposure to a certain Open-end vehicle depending on vehicle's performance, underlying holdings, or its correlation with other Open-end-vehicles, as well as beliefs for the short and medium term prospect for the given asset class and investment style of the Open-end vehicle. KPST itself does not engage in forward contracts, swaps or derivatives in order to manage and control these risks to assets of KPST-PA.

The Finance Department of KPST on quarterly basis analyses the compliance of direct investments, as well as indirect investments through underlying holdings of Open-end vehicles, with the Investment Policy of KPST. The risks and volatility of both direct and indirect holdings are also assessed on quarterly basis. The findings are reviewed by the Investment Committee of the Governing Board of KPST and serve as an aide for investment decisions.

Presented below are standard risks to which KPST-PA financial assets were directly exposed to on reporting date:

3.8.1 CURRENCY RISK

As at reporting date the direct investments in Kosovo Treasury debt securities were all EUR denominated. As a way to manage the currency risk through Open-end vehicles, the investment policy of KPST allows only up to 10 percent of KPST-PA assets to be invested in Open-end vehicles which are not denominated in EUR and provide no EUR hedging.

The Open-end vehicles through which KPST was invested on reporting date were all EUR denominated or EUR hedged; whereby managers of Open-end vehicles use currency derivatives to manage and control the currency risk.

As a result of there being no direct currency risk exposure on reporting date no sensitivity analysis is performed on the effects of currency shifts on the comprehensive income for the year ended December 31, 2013 and 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8.2 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. As at reporting date KPST-PA had direct investments in held to maturity instruments which were with a fixed interest rate, whereas there were no direct investments in floating interest rate securities.

	AS AT DECEMBER 31 2014		AS AT DECEMBER 31 2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	EUR	EUR	EUR	EUR
FIXED RATE				
Held to maturity investments	54,701,478	--	53,122,905	--
TOTAL	54,701,478	--	53,122,905	--

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The average monthly redemptions from KPST-PA through withdrawals of savings and refunds for the year ended December 31, 2014 amounted EUR 1,189,903 (2013: EUR 1,021,630). Average monthly incoming contributions for the year amounting EUR 10,738,578 (2013: EUR 9,940,978) continued to be well in excess of monthly outgoings.

Investments through Open-end vehicles can all be redeemed within 1-10 days, and all the investments of KPST-PA assets in Kosovo Treasury debt securities have an original maturity of less than two years from reporting date.

	AS AT DECEMBER 31 2014		AS AT DECEMBER 31 2013	
	CURRENT UP TO 1 YEAR	NON-CURRENT 1-2 YEARS	CURRENT UP TO 1 YEAR	NON-CURRENT 1-2 YEARS
	EUR	EUR	EUR	EUR
FINANCIAL ASSETS				
Cash at bank	9,938,218	--	209,646,903	--
Held to maturity investments	34,123,521	20,577,957	53,122,905	--
Contribution receivables	7,984,158	--	7,869,239	--
	52,045,897	20,577,957	270,639,047	--
FINANCIAL LIABILITIES				
Account payables	498,716	--	419,691	--
	498,716	--	419,691	--
MATURITY GAP	51,547,181	20,577,957	270,219,356	--

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8.4 CREDIT RISK

Credit risk is the risk of financial loss to KPST-PA if a customer or counterparty to financial instruments fails to meet its contractual obligations. KPST-PA assets are directly exposed only to Kosovo Treasury debt instruments, which as yet remain unrated; however, as the Law in force classifies Kosovo Treasury debt instruments in the Prime category, so does KPST-PA when analysing the direct, and indirect exposure within portfolios of Open-end vehicles, exposure to credit risk. KPST-PA considers the credit risk to be very low for KPST-PA investments given the vast diversity of issuers as well as the rating of debt instruments within Open-end vehicles. Below are the investment ratings of direct (end-indirect holdings through vehicles), or KPST-PA assets as at December 31, 2014.

DESCRIPTION	APPLICABLE RATINGS	PERCENTAGE OF KPST ASSETS
Prime	AAA	15.0%
High	AA+, AA, AA-	11.7%
Upper medium	A+, A, A-	3.0%
Lower medium	BBB+, BBB, BBB-	2.6%
Non-investment speculative	BB+, BB, BB-	0.8%
Highly speculative	B+, B, B-	0.3%
Substantial risk	CCC+	0.1%
Extremely speculative	CCC	--
In default with little prospect of recovery	CCC-, CC, C	0.0%
In default	D	0.0%
TOTAL	--	33.5%

3.8.5 PRICE RISK

Despite the moderately reduced sensitivity, compared to the previous year, to changes in the fair value of available-for-sale investments through Open-end vehicles, price risk remains the most significant direct risk factor of KPST-PA invested assets. KPST-PA through its investment policy attempts to manage this risk by diversifying investments in uncorrelated Open-end vehicles which in turn hold within their portfolios different classes of assets and have different investment styles and objectives.

Sensitivity Analysis of price changes in Open-end vehicles

Had the prices of Open-end vehicles been 5% higher/lower on reporting date, net participants' assets would have been increased by EUR 51,186,216 or decreased by EUR 51,175,746 respectively (2013: increased by EUR 32,544,256 or decreased by EUR 32,538,061 respectively).

Sensitivity Analysis of price changes of equities within Open-end vehicles

The fair value of equity holdings within Open-end vehicles amounted to EUR 725,587,238, or 66.7%, of KPST-PA assets (2013: EUR 404,325,510 or 44.3%). The price risk of underlying equity holdings within Open-end vehicles is much lower than the direct price risk of Open-end vehicles themselves, whereby a 5% higher/lower valuation of indirect investments in equities on reporting date would cause net participants' assets to increase by EUR 36,279,889 or decrease by EUR 36,278,835 respectively (2013: increase by EUR 19,305,378 or decrease by EUR 19,301,131).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8.6 EXPOSURE THROUGH INDIRECT HOLDINGS

The overwhelming majority of KPST-PA assets are invested through Open-end vehicles which trade in different asset classes and employ varying investment and risk policies. As a result, KPST-PA assets are exposed to different risks for its indirect investments depending on the assets invested with a given Open-end vehicle.

When all investments, direct and indirect, are taken into account, the exposure of KPST-PA assets as at December 31, 2014 was as follows:

Currency - USD: 42.7%; EUR: 23.2%; GBP: 12.5%; JPY: 4.2%; AUD: 2.8%; Other: 14.6%. The portion of non-EUR assets unhedged to EUR was 4.1% of KPST-PA assets.

Asset class - Equities: 66.7%; Treasury debt: 21.6%; Corporate debt: 11.9%; Money markets: 3.6%; Net derivatives: -3.8%.

The main risks to which Open-end vehicles themselves were exposed to as at December 31, 2014 were as follows:

FUND	MAIN RISKS
Vanguard - GSIF	Price risk; Country/political risk; Index tracking risk.
AXA - GILB	Credit risk; Counterparty risk; Interest rate risk.
BNY Mellon - RRF	Price risk; Credit risk; Counterparty risk; Interest rate risk; Currency risk.
Aquila - RP7	Credit risk; Counterparty risk; Liquidity risk; Derivatives risk.
Schroders - SISF	Credit risk; Counterparty risk; Currency risk; Derivatives risk.
Nordea 1 - GSEF	Price risk; Counterparty risk; Country/Political risk.
Nordea 1 - SRF	Price risk; Credit risk; Counterparty risk; Country/Political risk; Derivatives risk.
KBI - IDPDEF	Price risk; Counterparty risk; Liquidity risk; Currency risk.
AXA - WFOI	Credit risk; Counterparty risk.
Pictet - HDS	Price risk; Counterparty risk; Currency risk; Country/Political risk.
Tobam - ABWEF	Price risk; Counterparty risk; Currency risk; Discretionary management risk.

FULL SET OF RISKS EXPOSED TO BY EACH OF THESE FUNDS CAN BE OBTAINED FROM EACH RESPECTIVE FUND PROSPECTUS.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 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: Allowance for impairment of available-for-sale equity investments KPST-PA determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, KPST-PA evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investor, industry and sector performance, changes in technology, and operational and financing cash flows.

4. CASH AT BANK

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
At Central Bank of Republic of Kosovo	9,938,218	209,646,903
TOTAL CASH AT BANK	9,938,218	209,646,903

During 2013 and 2014 no interest was offered on the KPST-PA cash account with the Central Bank of Kosovo.

5. CONTRIBUTIONS RECEIVABLE

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Contributions receivable	7,984,158	7,869,239
TOTAL CONTRIBUTIONS RECEIVABLE	7,984,158	7,869,239

Contribution receivables relate to contributions received in collection account up to the 18th of the following month (2013: up to the 18th) and not unitised on reporting date.

6. AVAILABLE FOR SALE INVESTMENTS

	NOTES	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
		EUR	EUR
Vanguard - GSIF	6.1	343,025,434	313,444,532
BNY Mellon - RRF	6.2	166,159,683	133,139,594
AXA - GILB	6.3	71,926,649	57,478,701
Schroders - SISF	6.4	114,516,911	96,379,844
Aquila - RP7	6.5	28,803,675	26,986,630
Nordea 1 - GSEF	6.6	50,304,385	--
Nordea 1 - SRF	6.7	100,812,922	--
KBI - IDPDEF	6.8	54,922,848	--
AXA - WFOI	6.9	26,287,722	--
Pictet - HDS	6.10	30,197,501	--
Tobam - ABWEF	6.11	36,661,888	--
ECM - DEC	6.12	--	23,403,320
TOTAL AVAILABLE FOR SALE INVESTMENTS		1,023,619,618	650,832,621

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.1 VANGUARD INVESTMENT SERIES PLC - GLOBAL STOCK INDEX FUND EURO HEDGED (ISIN: IE00B03HD316)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	22,678,696	313,444,532	25,211,077	272,937,641
New investments during the year	--	--	3,205,132	42,000,000
Redemptions	--	--	(5,803,337)	(75,000,000)
Re-investment of rebates	26,642	383,016	65,824	818,992
Revaluation - Increase	--	30,011,423	--	73,873,421
Fees withheld	--	(813,537)	--	(1,185,522)
AS AT DECEMBER 31	22,705,338	343,025,434	22,678,696	313,444,532

The fund seeks to provide long term growth of capital by tracking the performance of Morgan Stanley Capital International (MSCI), World Free Index (the "Index"), a market capitalisation weighted index of common stocks of companies in developed countries. Global Stock Index Fund investment policy is to remain substantially invested in common stocks. KPST investments in the fund are subscribed based on the Net Asset Value per share on the relevant business day.

The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The net return for the year ended December 31, 2014 was 9.31% p.a. (2013: 27.66% p.a.). The management fee is calculated daily, at an annualised rate of 0.25% of assets (2013: 0.25%). The fund gives out a 0.12% rebate on the management fee (2013: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2013: 0.13% of assets p.a.). There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.2 BNY MELLON - REAL RETURN FUND (ISIN IE00B504KX99)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	117,521,047	133,139,594	77,533,181	83,960,682
New investments during the year	20,864,630	25,000,000	39,987,866	45,000,000
Revaluation - Increase	--	8,020,089	-	4,178,912
AS AT DECEMBER 31	138,385,677	166,159,683	117,521,047	133,139,594

As at December 31, 2014, KPST-PA investments consisted of 138,385,677 shares in BNY Mellon Real Return Fund. The fund is an absolute return vehicle investing the funds in a mixture of cash, bonds and equities. The fund does not pay a dividend therefore all the gains and income are reflected on the Net Asset Value of the fund. The return for the year ended December 31, 2014 was 5.98% p.a. (2013: 4.62% p.a.). The management fee was calculated daily at an annualised rate of 0.60% of assets (2013: 0.70% of assets) and was paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 868,854 (2013: EUR 763,930). There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.3 AXA - GLOBAL INFLATION LINKED BONDS EUR (ISIN LU0227145629)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	433,540	57,478,701	813,865	115,609,533
New investments during the year	63,995	9,200,000	68,885	10,000,000
Redemptions	--	--	(449,472)	(60,000,000)
Re-investment of rebates	227	31,648	262	35,263
Revaluation - Increase / (Decrease)	--	5,462,474	--	(7,693,843)
Fees withheld	--	(246,174)	--	(472,252)
AS AT DECEMBER 31	497,762	71,926,649	433,540	57,478,701

As of December 31, 2014, KPST-PA investments consisted of 497,762 shares in the Global Inflation Linked Bond fund of AXA, a leading global asset manager. The fund is an absolute return vehicle investing funds in inflation protected sovereign and corporate bonds. The fund does not pay a dividend, and all the gains and income were reflected in the Net Asset Value of the fund. The net return for the year ending December 31, 2014 was 8.99% p.a. (2013: -6.67% p.a.).

The management fee is calculated daily at an annualised rate of 0.40% of assets (2013: 0.40%); however with effect from May 1, 2013 when value of assets is in excess of EUR 50 million, a rebate at an annualised rate of 5% of assets is accrued daily and reinvested in the following month, making net fees charged by the fund 0.35% of assets p.a. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.4 SCHRODERS - INTERNATIONAL STRATEGIC BOND EURO HEDGED (ISIN LU0201424265)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	639,039	96,379,844	438,594	64,758,425
New investments during the year	94,997	15,000,000	200,445	30,000,000
Revaluation - Increase	--	3,137,067	--	1,621,419
AS AT DECEMBER 31	734,036	114,516,911	639,039	96,379,844

Schroders International Strategic Bond fund is a Luxembourg based mutual fund which operates through investments in a portfolio of bonds and other fixed and floating rates securities denominated in various currencies issued by governments, government agencies, supra-national and corporate issuers worldwide. The fund does not pay a dividend therefore all the income is reflected in the bid price of the fund. The return for the year ended December 31, 2014 was 3.44% p.a. (2013: 2.15% p.a.).

The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2013: 0.50%), and was paid separately through an invoice, i.e. not reducing the net asset value. However, with effect from May 1, 2013 when value of assets is in excess of EUR 100 million, the annualised fee rate is reduced to 0.45% of assets; which transpired to be applicable late in 2014. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 508,375 (2013: EUR 453,392). There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.5 AQUILA - AC RISK PARITY 7 FUND (ISIN LU0554703917)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	266,152	26,986,630	685,082	73,938,085
New investments during the year	--	--	92,885	10,000,000
Redemptions	--	--	(511,815)	(52,000,000)
Revaluation - Increase / (Decrease)	--	1,817,045	--	(4,951,455)
AS AT DECEMBER 31	266,152	28,803,675	266,152	26,986,630

As at December 31, 2014, KPST-PA investments consisted of 266,152 shares in Aquila - AC Risk Parity 7 fund of Alceda Fund Management. The fund is an absolute return vehicle investing the vast majority of the fund in highly rated bonds, with the rest in bond and equity index futures for hedging purposes. The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The net return for the year ended December 31, 2014 was 6.73% p.a. (2013: -6.05% p.a.).

The management fee is calculated daily at an annualised rate of: 1.06% of assets when invested amounts were less than EUR 50,000,000; 0.96% of assets when invested amounts were between EUR 50,000,000 and EUR 79,999,999; and 0.79% of assets when invested amounts were between EUR 80,000,000 and EUR 99,999,999 (2013: 0.79% of assets) and were paid separately through an invoice, i.e. not reducing the net asset value however, from January 1, 2014 the fund manager waived fees of 0.27% of assets, making fees 0.79% of assets, until the high watermark reached during 2013, was surpassed on December 1, 2014. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 231,565 (2013: EUR 625,429). There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.6 NORDEA 1 – GLOBAL STABLE EQUITY FUND (ISIN LU0257969260)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	2,648,993	45,000,000	--	--
Revaluation - Increase	--	5,304,385	--	--
AS AT DECEMBER 31	2,648,993	50,304,385	--	--

In June 2014 the Governing Board decided to subscribe to the Nordea 1 - Global Stable Equity fund. This is an active fund that primarily contains stocks of global corporations which have stable: returns, dividends and cash flows. The fund may however hold up to 1/3 of assets in cash or invest them in bonds or other debt instruments in order to manage risk. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund.

The return from June 11, 2014 when first assets were invested and up to December 31, 2014 was 16.15% p.a. The management fee is calculated daily at an annualised rate of: 0.44% of assets and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 81,464. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.7 NORDEA 1 –STABLE RETURN FUND X EUR (ISIN LU0539147214)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	6,124,722	96,000,000	--	--
Revaluation - Increase	--	4,812,922	--	--
AS AT DECEMBER 31	6,124,722	100,812,922	--	--

In June 2014 the Governing Board decided to subscribe to the Nordea 1 - Stable Return fund. This is an active fund that contains global corporations' stocks and bonds and government securities, aiming to generate return from both asset classes and at the same time to manage risks through the strategic use of financial derivative.

The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The return from June 11, 2014 when first assets were invested and up to December 31, 2014 was 7.09% p.a. The management fee is calculated daily at an annualised rate of: 0.59% of assets and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 232,940. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.8 KLEINWORT BENSON INVESTORS - INSTITUTIONAL DIVIDEND PLUS DEVELOPED EQUITY FUND H (ISIN IE00B589V552)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	3,868,079	51,000,000	--	--
Revaluation - Increase	--	4,075,341	--	--
Fees withheld	--	(152,493)	--	--
AS AT DECEMBER 31	3,868,079	54,922,848	--	--

In June 2014 the Governing Board decided to subscribe to the Kleinwort Benson Investors – Institutional Dividend Plus Developed Equity fund. This is an active fund that contains stocks with stable dividends of corporations in the developed world. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund.

The net return from July 3, 2014 when first assets were invested and up to December 31, 2014 was 8.77% p.a. The management fee is calculated daily at an annualised rate of: 0.73% of assets and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.9 AXA - OPTIMAL INCOME I EUR (ISIN: LU0184635471)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	209,664	26,000,000	--	--
Revaluation - Increase	--	348,852	--	--
Fees withheld	--	(61,130)	--	--
AS AT DECEMBER 31	209,664	26,287,722	--	--

In June 2014 the Governing Board decided to subscribe to the AXA – Optimal Income fund. This is an active fund that contains corporate stocks and bonds and government securities, mainly from Europe, aiming to generate an absolute return in long-term from both these classes of financial instruments. For the sake of risk management, small scale use of derivatives is allowed.

The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The net return from July 11, 2014 when first assets were invested and up to December 31, 2014 was 1.24% p.a. The management fee is calculated daily at an annualised rate of: 0.55% of assets and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.10 PICTET - HIGH DIVIDEND SELECTION - Z EURO (ISIN: LU0650147423)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	202,003	30,000,000	--	--
Revaluation - Increase	--	197,501	--	--
AS AT DECEMBER 31	202,003	30,197,501	--	--

In June 2014 the Governing Board decided to subscribe to the Pictet – High Dividend Selection fund. This is an active fund that primarily contains stocks with stable dividends of global corporations. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund. The return from July 14, 2014 when first assets were invested and up to December 31, 2014 was 1.88% p.a.

The management fee is calculated daily at an annualised rate of: 0.63% of assets and is paid separately through an invoice, i.e. not reducing the net asset value. Total fees charged by the fund manager for the year ended December 31, 2014 amount to EUR 76,744. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.11 TOBAM - ANTI-BENCHMARK WORLD EQUITY FUND EURO-HEDGED (ISIN: LU1067857836)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	--	--	--	--
New investments during the year	2,493	35,000,000	--	--
Revaluation - Increase	--	1,748,152	--	--
Fees withheld	--	(86,264)	--	--
AS AT DECEMBER 31	2,493	36,661,888	--	--

In June 2014 the Governing Board decided to subscribe to the Tobam – Anti-benchmark World Equity fund. This is an active fund that selects stocks of global corporations with the aim of achieving the optimal degree of diversification. The fund does not pay a dividend therefore all the gains were reflected on the Net Asset Value of the fund.

The net return from July 16, 2014 when first assets were invested and up to December 31, 2014 was 4.50% p.a. The management fee is calculated daily at an annualised rate of: 0.60% of assets and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2014.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.12 EUROPEAN CREDIT MANAGEMENT LTD - DIVERSIFIED EUROPEAN CREDIT (ISIN XS0306910752)

	2014		2013	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	252,550	23,403,320	252,550	22,086,565
Revaluation - Increase	--	856,706	--	1,429,999
Fees withheld	--	(101,033)	--	(113,244)
Redemptions	(252,550)	(24,158,993)	--	--
AS AT DECEMBER 31	--	--	252,550	23,403,320

As of November 2014, KPST redeemed fully its investment in the Diversified European Credit portfolio of ECM. This is an active fund that searches for the best deals offered on the bond and credit markets in Europe, and has a slightly higher volatility than other KPST debt instrument investments. The fund did not pay a dividend therefore all the income was reflected in the Net Asset Value of the fund.

The net return for the year up to November 9, 2014 was 3.23% p.a. (2013: 4.85% p.a.). The management fee is calculated daily, at an annualised rate of 0.50% of assets (2013: 0.50%), plus a variable fee based on the performance of the fund vis-à-vis the benchmark of Euribor. The overall realised gains from the initial investment and up to the full redemption from the fund came to EUR 460,026.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.13 OPEN-END VEHICLE FEES AND REBATES

		YEAR ENDED DECEMBER 31 2014			YEAR ENDED DECEMBER 31 2013		
		GROSS FEE	REBATE	NET FEE	GROSS FEE	REBATE	NET FEE
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	813,537	(390,498)	423,039	1,185,522	(789,074)	396,448
BNY Mellon – RRF	6.2	868,854	--	868,854	763,930	--	763,930
AXA – GILB	6.3	246,174	(30,762)	215,412	472,252	(39,207)	433,045
Schroders – SISF	6.4	508,375	--	508,375	453,392	--	453,392
Aquila – RP7	6.5	231,565	--	231,565	625,429	--	625,429
Nordea 1 - GSEF	6.6	81,464	--	81,464	--	--	--
Nordea 1 - SRF	6.7	232,940	--	232,940	--	--	--
KBI - IDPDEF	6.8	152,493	--	152,493	--	--	--
AXA - WFOI	6.9	61,130	--	61,130	--	--	--
Pictet - HDS	6.10	76,744	--	76,744	--	--	--
Tobam - ABWEF	6.11	86,264	--	86,264	--	--	--
ECM – DEC	6.12	101,033	--	101,033	113,244	--	113,244
State Street – EMIF	--	--	--	--	51,450	--	51,450
TOTAL OPEN-END VEHICLE FEES AND REBATES		3,460,573	(421,260)	3,039,313	3,665,219	(828,281)	2,836,938

1 During 2014 KPST redeemed in full its investment in the ECM – DEC fund.

7. HELD TO MATURITY INVESTMENTS

ISIN	RATE	MATURITY					2014
			AS AT JANUARY 1	NEW PLACEMENTS	INTEREST GAINED	MATURED / COUPONS	AS AT DECEMBER 31
			EUR	EUR	EUR	EUR	EUR
KV1102140211	2.26	23.04.2014	11,727,484	--	82,516	(11,810,000)	--
KV1102820282	1.49	19.02.2014	9,979,422	--	20,578	(10,000,000)	--
KV1103020305	1.24	19.03.2014	1,725,390	--	4,610	(1,730,000)	--
KV1103240327	1.98	22.10.2014	14,760,760	--	239,240	(15,000,000)	--
KV1103420343	1.20	21.05.2014	14,929,849	--	70,151	(15,000,000)	--
KV1103720374	1.09	23.07.2014	--	17,791,846	98,154	(17,890,000)	--
KV1103920398	0.92	20.08.2014	--	3,364,309	15,691	(3,380,000)	--
KV1104340433	1.34	22.04.2015	--	12,337,826	112,048	--	12,449,874
KV1104540457	1.40	17.06.2015	--	9,268,795	70,420	--	9,339,215
KV1204610466	2.60	30.06.2016	--	6,011,634	75,661	(78,000)	6,009,295
KV1104940495	2.10	19.08.2015	--	12,240,102	94,330	--	12,334,432
KV1205110510	2.90	30.09.2016	--	7,000,000	50,916	--	7,050,916
KV1205510558	2.90	01.12.2016	--	7,500,000	17,746	--	7,517,746
			53,122,905	75,514,512	952,061	(74,888,000)	54,701,478

7. HELD TO MATURITY INVESTMENTS (CONTINUED)

2013

ISIN	RATE	MATURITY	AS AT JANUARY 1	NEW PLACEMENTS	INTEREST GAINED	MATURED / COUPONS	AS AT DECEMBER 31
			EUR	EUR	EUR	EUR	EUR
KV1100820084	3.05	23.01.2013	12,655,493	--	24,507	(12,680,000)	--
KV1101120114	2.36	20.03.2013	1,273,418	--	6,582	(1,280,000)	--
KV1102140211	2.26	23.04.2014	--	11,546,252	181,232	--	11,727,484
KV1102820282	1.49	19.02.2014	--	9,925,301	54,121	--	9,979,422
KV1103020305	1.24	19.03.2014	--	1,719,262	6,128	--	1,725,390
KV1103240327	1.98	22.10.2014	--	14,705,355	55,405	--	14,760,760
KV1103420343	1.20	21.05.2014	--	14,909,512	20,337	--	14,929,849
			13,928,911	52,805,682	348,312	(13,960,000)	53,122,905

As of, and during year ending December 31, 2014 all held to maturity investments of KPST-PA consisted of Kosovo Treasury securities which are not yet rated. It is the intention of the Governing Board to hold to maturity all its investments of KPST-PA in Kosovo Treasury debt instruments.

8. LIABILITIES TOWARDS KPST OPERATIONS

AS AT
DECEMBER 31
2014

AS AT
DECEMBER 31
2013

EUR

EUR

Fees charged on participants' accounts - payable	319,203	292,357
Difference from refunds of erroneous contributions - payable	47,622	1,653
TOTAL LIABILITIES TOWARDS KPST OPERATIONS	366,825	294,010

As at December 31, 2014 the balance of payable fees amounting EUR 319,203 relates to KPST fees charged to the participants accounts which were not transferred to KPST Operations as of reporting date (December 31, 2013: EUR 292,357).

When a pension contribution is proven to have been paid in error, the nominal amount is refunded to the payer. As per KPST policies in effect from January 1, 2013 the difference of the refunded amount and the value of redeemed shares on the day of the refund, is to be treated as other income (or expense) of KPST Operations. As at December 31, 2014 the balance of payable differences from refunds was EUR 47,622 (December 31, 2013: EUR 1,653).

9. LIABILITIES FOR REPURCHASED SHARES

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Liabilities for refunds	118,203	73,620
Liabilities for the withdrawal of savings	--	38,727
TOTAL LIABILITIES FOR REPURCHASED SHARES	118,203	112,347

As at December 31, 2014 the balance of pension assets redeemed through refunds and withdrawal of savings (benefit payments) which were not transferred to respective beneficiaries as of reporting date amounts to EUR 118,203 (2013: EUR 112,347).

10. NON-CONTRIBUTIONS

	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Non-contributions	13,688	13,334
TOTAL NON-CONTRIBUTIONS	13,688	13,334

Incoming transfers to KPST's collection account with CBK, which at the time of processing a bank statement are identified to have been paid in error and are not pension contributions, are classified as non-contributions and are not unitised.

In all other cases incoming contribution transfers are unitised, and subsequently redeemed as Refunds when proven to have been made in error. As at December 31, 2014 the balance of non-contributions not yet returned as of reporting date amounts to EUR 13,688 (2013: EUR 13,334).

11. REVALUATION OF AVAILABLE FOR SALE INVESTMENTS - NET

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
Vanguard – GSIF	6.1	30,011,423	73,873,421
BNY Mellon – RRF	6.2	8,020,089	4,178,912
AXA – GILB	6.3	5,462,474	(7,693,843)
Schroders – SISF	6.4	3,137,067	1,621,419
Aquila – RP7	6.5	1,817,045	(4,951,455)
Nordea 1 - GSEF	6.6	5,304,385	--
Nordea 1 - SRF	6.7	4,812,922	--
KBI - IDPDEF	6.8	4,075,341	--
AXA - WFOI	6.9	348,852	--
Pictet - HDS	6.10	197,501	--
Tobam - ABWEF	6.11	1,748,152	--
ECM – DEC	6.12	856,706	1,429,999
State Street – EMIF 1		--	(930,259)
NET INCREASE ON REVALUATION OF AVAILABLE FOR SALE INVESTMENTS FOR THE YEAR		65,791,957	67,528,194

1 During 2013 KPST redeemed in full its investment in the State Street Emerging Markets Index Fund.

12. INTEREST INCOME FROM HELD TO MATURITY INVESTMENTS

	NOTES	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
		EUR	EUR
Raiffeisen Bank Kosovo	--	--	81,895
Kosovo Treasury debt instruments	7	952,061	348,312
TOTAL INTEREST INCOME FROM HELD TO MATURITY INVESTMENTS		952,061	430,207

13. INTEREST INCOME FROM BANK DEPOSITS

During 2014 there were no KPST-PA assets placed in bank deposits. Deposits in NLB Prishtina, which were redeemed during 2013, earned EUR 173,172 in interest for the year ending December 31, 2013.

14. OTHER INCOME

During the year ending December 31, 2013 the Governing Board of KPST had decided to refund EUR 3,000,000 from the KPST Operations surplus to pension assets.

15. FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	EUR	EUR
Fees for joint activities	--	1,796,645
Fees for investment activities	3,976,844	2,009,569
Fees for operational activities	1,292,475	793,250
TOTAL FEES CHARGED ON PARTICIPANTS' ACCOUNTS	5,269,319	4,599,464

Fees are accrued on daily basis according to the formula:

$$\text{Fee} = [\text{Gross Participants' Assets}] * [\text{Rate}] / [\text{Number of calendar days in a year}].$$

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2014 amounted EUR 5,269,319 (2013: EUR 4,599,464).

For the year ending December 31, 2014 fees charged in accordance with Law Nr. 04/L-168 were 0.40% p.a. for investment activities and 0.13% p.a. for operational activities. From May 20, 2013 and up to December 31, 2013 fees charged were 0.38% p.a. for investment activities and 0.15% p.a. for operational activities. From January 1, 2013 and up to May 20, 2013 joint fees of 0.60% p.a. (covering both investment and operational activities) were charged in accordance with Law Nr. 04/L-101. Fees are at all times approved by the Assembly of the Republic of Kosovo.

16. INDIVIDUAL PARTICIPANTS' ACCOUNTS

	YEAR ENDED DECEMBER 31 2014	YEAR ENDED DECEMBER 31 2013
	NUMBER OF ACCOUNTS	NUMBER OF ACCOUNTS
Accounts with no withdrawals of savings	452,011	426,756
Accounts with withdrawals of savings	24,548	20,503
TOTAL ACCOUNTS	476,559	447,259

An account with withdrawals of savings represents accounts from which pension savings have been withdrawn due to: (i) the contributor retiring by reaching the pension age of 65 years old or by becoming permanently disabled; or (ii) successors, deemed as rightful heirs, inheriting the pension savings of a deceased participant. Out of 476,559 contributors for which KPST has opened a pension savings account, 285,914 had contributions belonging to the year ended December 31, 2014 (December 31, 2013: 277,305 out of 447,259 opened accounts).

Pension contributions are paid to KPST by employers on behalf of employees who are residents in Kosovo at the rate of at least 5% of total employee gross income for each, employee and employer part of contributions. Together with voluntary contributions, the maximum employee and employer can each contribute 15% of total employee gross income.

Employers are obliged to submit payroll data to TAK web portal in order to obtain the payment document for a given month. The self-employed make payments on quarterly basis. TAK makes the information available to KPST and is also responsible for the compliance by employers and enforcing such compliance by way of fines issued to delinquent employers.

Mainly due to the imperfect nature of collection and reporting process in force prior to the fourth quarter of 2012, when the TAK portal was introduced, funds collected have not been fully allocated to individual participants accounts. Since the portal was introduced the overwhelming majority of contributions are being allocated to individual accounts on the same day as payments are being processed. Predominantly due to employer non-reporting for prior periods, an amount of EUR 10,795,420 was not allocated to individual participants' accounts as at December 31, 2014 (December 31, 2013: EUR 12,849,215).

16. INDIVIDUAL PARTICIPANTS' ACCOUNTS (CONTINUED)

During 2014 KPST attributed the amount of EUR 1,560,328 to individual accounts from the amount outstanding as of December 31, 2013.

The nature and reason of contributions not allocated to participants' individual accounts is provided below:

REASON	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
	EUR	EUR
Employers have not submitted contribution reports	9,711,948	11,269,000
Payment not posted to employer account	571,236	1,022,564
Invalid contributor ID and Name/Surname combination	512,236	557,651
TOTAL UN-ALLOCATED CONTRIBUTIONS	10,795,420	12,849,215
Cumulative contributions unitised up to reporting date	973,387,646	844,639,632
UN-ALLOCATED CONTRIBUTIONS AS PERCENTAGE OF UNITISED CONTRIBUTIONS UP TO REPORTING DATE	1.0%	1.4%

Another way to view the progress of reconciliation process is by comparing allocated funds and net unitised assets under management, as provided below:

	NOTES	AS AT DECEMBER 31 2014	AS AT DECEMBER 31 2013
		VALUE EUR	VALUE EUR
Net participants' assets	5	1,095,744,756	921,051,977
Contributions receivable not unitised on reporting date		(7,984,158)	(7,869,239)
NET UNITISED PARTICIPANTS' ASSETS		1,087,760,598	913,182,738
Balance of funds in individual accounts		1,074,489,956	898,282,029
PERCENTAGE OF NET UNITISED PARTICIPANTS' ASSETS IN INDIVIDUAL ACCOUNTS		98.8%	98.4%

17. PHASED WITHDRAWAL BENEFIT PAYMENTS

As per the administrative instruction issued by CBK on January 2013 participants retiring with balances of above EUR 2,000 in their KPST accounts, must withdraw their savings in phases. Participants receive monthly payments amounting 1% of the balance of their account upon retirement from KPST or EUR 150, whichever is greater. The instruction is conditional until such time as annuities shall be available in Kosovo. Upon retirement the complete balance of participants' KPST account is transferred to the commercial bank contracted to provide the phased withdrawal service, and such assets are no longer accounted for as KPST-PA assets. Persons retiring with balances under EUR 2,000 continue to get their proceeds in a lump-sum payment.

18. STATEMENT OF SHARE MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	NOTES	2014	2013
		#	#
AS AT JANUARY 1		753,650,392	662,262,094
Shares issued for received contributions	16	103,569,706	101,884,208
Shares redeemed through withdrawal of savings		(11,517,186)	(9,207,956)
Shares redeemed through refunds		(1,094,734)	(1,287,954)
AS AT DECEMBER 31		844,608,178	753,650,392
Net unitised participants' assets	16	1,087,760,598	913,182,738
NAV PER SHARE ON REPORTING DATE		EUR 1.2879	EUR 1.2117

19. EVENTS AFTER THE REPORTING PERIOD

For the first two months of 2015 the KPST-PA has the following financial data based on unaudited financial statements for those two months.

	AS AT FEBRUARY 28 2015
	EUR
Total assets	1,161,579,813
Total liabilities (short-term)	(486,916)
NET PARTICIPANTS' ASSETS	1,161,092,897
	EUR
Profit and interest on revaluation of investments	49,395,107
Fees charged on participants' accounts	(957,988)
NET INCREASE IN NET PARTICIPANTS' ASSETS	48,437,119

There are no subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2014 however, on March 12, 2015 the Assembly of Kosovo approved investment fees of 0.40% p.a. of assets and operating fees of 0.085% p.a. of assets for the remainder of year ending December 31, 2015.

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