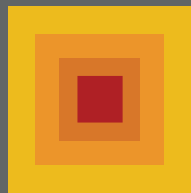




ANNUAL
REPORT
2015



**ANNUAL
REPORT
2015**



Publisher

Kosovo Pension Savings Trust

Chief editor

Vërshim Hatipi

Authors

Vërshim Hatipi

Jeton Demi

Print

Printing Press SHPK

Circulation

50

Published

May 2016

KEY FACTS

INVESTMENTS	2015	2014
Share price at the end of the year	€1.3171	€1.2879
Share price increase during the year	2.3%	6.3%
Gross investment return for the year	€28,389,646	€66,744,018
Other returns for the year	€1,165,138	--
ASSETS UNDER MANAGEMENT (AUM)		
Net AUM at the end of the year	€1,229,333,328	€1,087,760,598
Increase in net AUM during the year	€141,572,730	€174,577,860
CONTRIBUTIONS AND CONTRIBUTORS		
Contributions received during the year	€137,519,615	€128,748,014
Contributions received since inception	€1,110,907,262	€973,387,646
Accounts opened during the year	31,404	25,897
Account-holders at the end of the year	507,963	476,559
Active contributors during the year	297,466	285,914



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 €8.76m (2014: €7.98m).

RETIREMENT	2015	2014
Newly withdrawn accounts during the year	4,438	4,045
Value of withdrawals for the year	€19,299,443	€14,278,841
Withdrawn accounts since inception	28,981	24,548
Value of withdrawals since inception	€72,524,248	€53,224,805
FEES AND EXPENSES		
Investment / Operating fees during the year	0.40% / 0.085% - 0.13%	0.40% / 0.13%
Amount of fees charged for the year	€5,819,478	€5,269,319
Investment expenses for the year	€4,442,773	€3,104,044
Operating expenses for the year	€1,282,483	€1,397,306
UNALLOCATED CONTRIBUTIONS AND SERVICES		
Unallocated contributions at the end of the year	€9,971,270	€10,795,420
Number of services provided during the year	72,266	59,030

ALLOCATION	VALUE OF INVESTMENTS ON DECEMBER 31 2015	GROSS INVESTMENT RETURN FOR 2015
Vanguard Investment Series plc Global Stock Index Fund Euro hedged (ISIN: IE00B03HD316)	€348,579,355	€6,014,502
BNY Mellon Real Return Fund (ISIN: IE00B504KX99)	€170,643,379	€4,483,696
Schroders International Strategic Bond Euro Hedged (ISIN: LU0201424265)	€111,573,428	€(2,943,483)
Nordea 1 Stable Return Fund X EUR (ISIN: LU0539147214)	€145,649,845	€4,836,923
AXA Global Inflation Linked Bonds Eur (ISIN: LU0227145629)	€95,816,363	€(796,761)
Kleinwort Benson Investors Institutional Developed Equity Fund H EUR (ISIN: IE00B589V552)	€58,909,446	€4,403,728
Nordea 1 Global Stable Equity Fund (ISIN: LU0257969260)	€57,695,077	€7,390,692
Tobam Anti-benchmark World Equity Fund Euro-Hedged (ISIN: LU1067857836)	€35,032,098	€(1,217,672)
Pictet High Dividend Selection - Z Euro (ISIN: LU0650147423)	€32,956,868	€2,759,367
1 Aquila AC Risk Parity 7 Fund (ISIN: LU0554703917)	--	€44,541
AXA Optimal Income I EUR (ISIN: LU0184635471)	€27,877,091	€1,737,267
Term deposits BKT and BPB	€6,017,096	€17,096
Treasury securities of the Government	€89,637,101	€1,659,750
TOTAL	€1,180,387,147	€28,389,646



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

AT A GLANCE



2015

2014

2013

INVESTMENTS

Investments in Kosovo reach a record high of €96m. A year of positive investment returns for KPST whilst the main global indexes were stuck in negative territory.

Net performance for the year was 2.3% with assets under management increasing by 13.0%.

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%.

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%

OPERATIONS

The attempts for the full digitalisation of the institution intensified. eTrusti accounts neared 50 thousand. A number of 3-year strategies are approved.

Unallocated contributions reduced to 0.9% of contributions received.

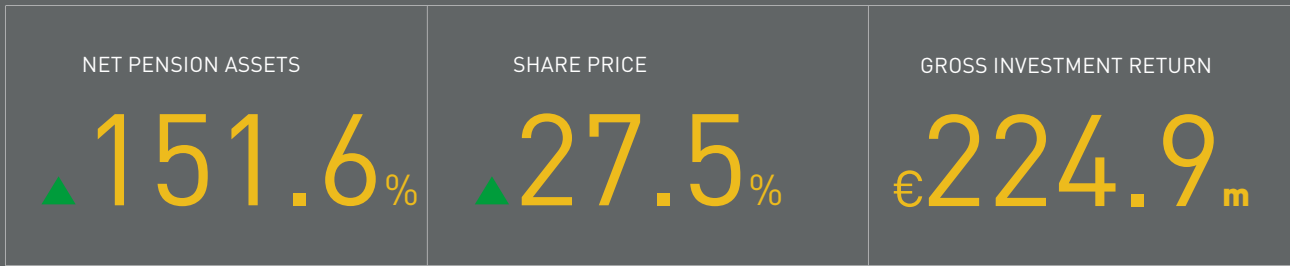
Implementation of amendments in the CBK Regulation for the withdrawal of pension savings, and the selection of the bank for PWP.

Unallocated contributions reduced to 1.1% of contributions received.

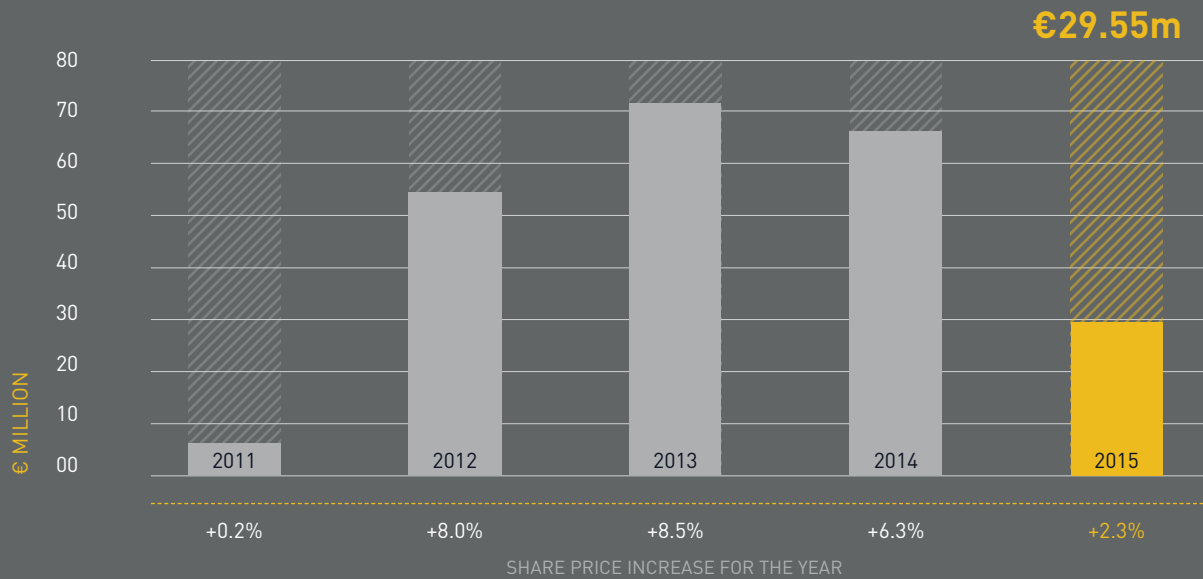
Implementation of improved Disaster Recovery Plan and the auto-update of website's key data.

Unallocated contributions reduced to 1.5% of contributions received.

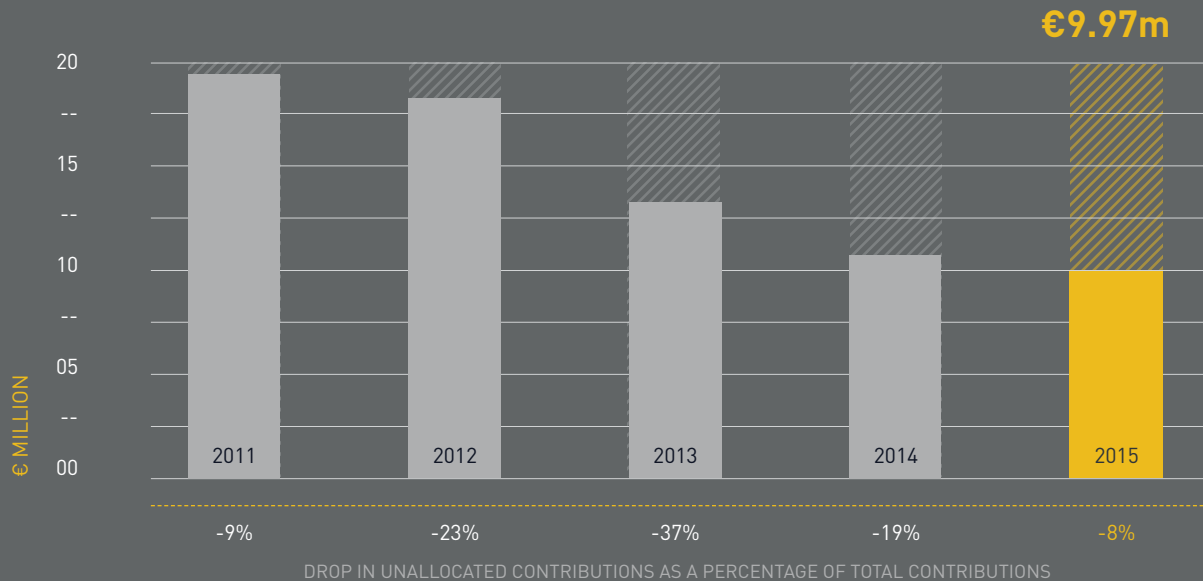
THE LAST FIVE YEARS IN NUMBERS



GROSS INVESTMENT RETURN



CUMULATIVE UNALLOCATED CONTRIBUTIONS



NUMBER OF ACCOUNT-HOLDERS AND ACTIVE CONTRIBUTORS

YEAR	TOTAL ACCOUNTS					ACTIVE CONTRIBUTORS				
	MEN	%	WOMEN	%		MEN	%	WOMEN	%	
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
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%
2015	507,963	356,990	70.3%	150,973	29.7%	297,466	205,380	69.0%	92,086	31.0%

NET AUM VS ANNUAL GDP OF KOSOVO

	2011	2012	2013	2014	2015
Net AUM	€588,169,206	€739,753,940	€913,182,738	€1,087,760,598	€1,229,333,328
GDP	€4,814,502,011	€5,058,802,012	€5,326,602,013	€5,567,500,000	€5,697,500,000 [‡]
Net AUM vs GDP	12.2%	14.6%	17.1%	19.5%	21.6%

KPST NET AUM AT THE END OF 2014 REACHED

21.6%

OF GDP OF KOSOVO

[‡] AS DATA FOR Q4 2015 FOR THE GDP OF KOSOVO ARE YET TO BE PUBLISHED, THE GDP FOR Q4 2014 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

Contribution
and retirement

5

046-057

Contributor
demographics

6

058-061

Legal framework

7

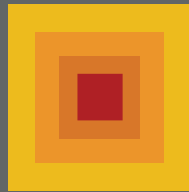
062-091

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

8

092-135

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



JOINT FOREWORD

FROM THE CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

Dear reader,

Kosovo Pension Savings Trust through this Annual Report presents to the public all the developments in the institution. We are pleased to declare the positive investment return of €29.6m for the year, to which investments in global financial markets contributed 94.3% whereas investments in Kosovo contributed 5.7%.

This was achieved in a year of strong fluctuations in financial markets, that came from increased political tensions, the declining indicators for economic growth in China, and the fall in oil prices which continues to be one of the main sources of stability and economic development for a number of emerging economies. Influenced by this environment, some of the main global stock markets closed the year in negative territory: S&P 500 with -0.7% and Dow Jones with -2.2%. Thanks to the changes introduced in 2014 to the investment strategy, which aimed to provide a better protection in bear markets without sacrificing too much growth during more bullish markets, KPST was able to close the year with a performance of +2.3% and a higher unit price of €1.3171 (2014: €1.2879).

With €132.3m, this marked yet another year of record contribution receipts, increasing by 7.3% compared to 2014. At €19.3m, the value of pension savings' withdrawals was 35.2% higher than in 2014, whereas the number of accounts from which savings were withdrawn was increased by 24.7%.

The net assets under management reached €1,229m, increased by €141.6m or 13.0% compared to 2014. The investment return for 2015 took the returns since inception to €240.0m. During the same period the unit price has increased by 31.7%.

In operating activities the treatment of unallocated contributions was again part of the institution's focus, and this dedication by employees, despite record receipts, helped reduce cumulative contributions unallocated to participants' accounts to €9.97m (2014: from €10.76m).

As a result, unallocated contributions as a percentage of total contributions received since inception fell to 0.90% (2014: 1.11%), thereby exceeding the target of 0.92% set by the Board.

During the year KPST was active in promoting the eTrusti service, which in addition to providing participants with a 24/7 access to their savings account online, also furnishes KPST with participants' email addresses. The latter enables the emailing of account statements to participants, which is a more effective, secure, faster, and less costly (both financially and to the environment), way of informing participants.

Similarly, a lot of energy was also directed at the digitalisation of institution's other processes, which aim to minimise the use of paper. During the year KPST was finally allowed to become a participant in the interbank clearing system of the Central Bank, and now all the transactions from the bank account for pension assets can be executed electronically via the Central Bank's web portal.

For its customer care the KPST made the digitalisation of its telephony lines which will enable the further enhancement of services provided via the telephone. Further, changes in the regulation for the withdrawal of pension savings (which KPST was pushing for) were implemented. The most important is the change which allows participants retiring in the phased withdrawal program to immediately withdraw 20% of their pension savings balance.

During November 2015 KPST had no functional Board as the mandates of the majority of the Board members had expired in the previous month. However, on November 30th 2015, the Assembly re-appointed three members and appointed two new members to the Board of KPST, thereby enabling the functioning of the Board for the next three years.



YMER HAVOLLI
CHAIRMAN OF THE BOARD

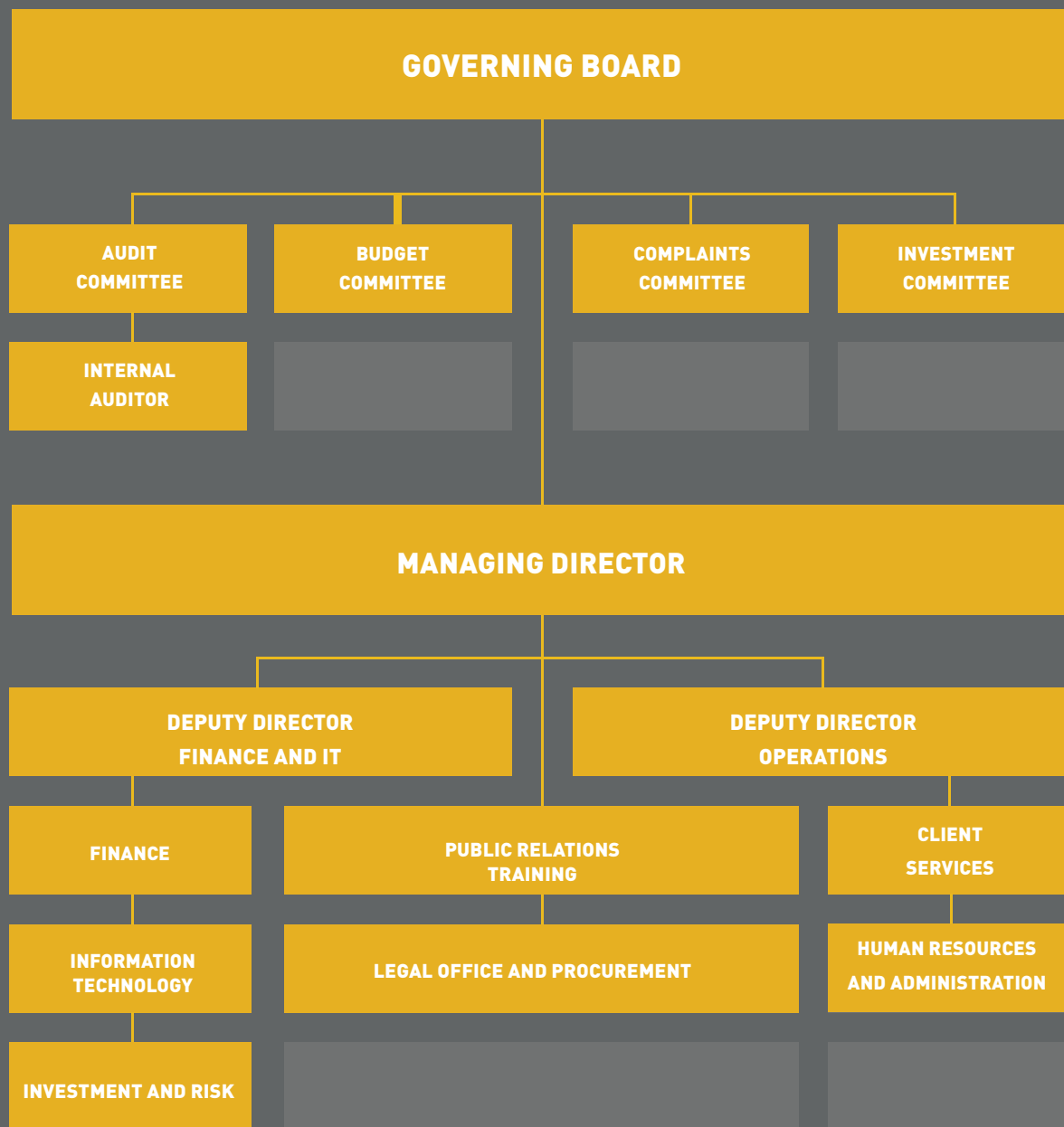


ADRIAN ZALLI
MANAGING DIRECTOR



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 organically to number 26 staff and eight 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 employees from 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 funds with managed/targeted risk as well as equity funds with dividend and managed risk, were added to the investment portfolio. These funds during 2015 provided a lower volatility and a higher protection as markets were falling.

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 2014/2015, investments in bonds issued by the Government of Kosovo with a maturity of 2-5 years were also made. At the end of 2015 investments in securities of the Government of Kosovo reached a record of €90m.

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.

Members with the right to vote must comprise of: at least five professional members 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.

During November KPST was without a functional Board as the mandate of most of its members had expired. On November 30th 2015 the Assembly re-appointed three members and appointed two new members to the KPST Board, thereby enabling the functioning of the latter. However, one professional member post in the Board remains vacant still.

BOARD MEMBERS AT YEAR-END



PROF.DR. YMER HAVOLLI

Chairman of the Board and Chairman of the Budget Committee. Member of Investment and Audit Committees

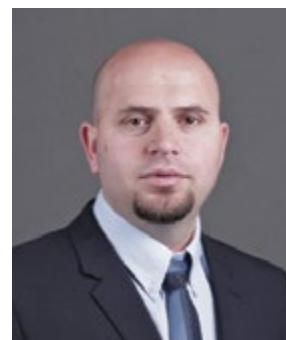
An associate professor at the University of Prishtina "Hasan Prishtina" with PhD in economic sciences for HR Management



MR. FREDERICK ARTESANI

Chairman of the Investment Committee

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



MR.SC. RUZHDI MORINA

Chairman of the Complaints Committee and Member of the Budget Committee

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

ROLE ON THE BOARD:

Professional

Professional

Employee representative

APPOINTED:

May 2009

October 2008

May 2009

CURRENT MANDATE:

Third

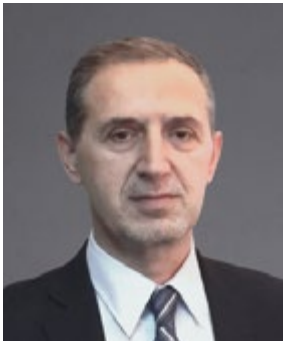
Third

Third

Note: In October 2015 the three-year term on the Board of KPST expired for: Mr. Driton Qehaja, Mr. Alan Pickering, and Mr. Leendert Van Driel. KPST thanks them for their contribution!

Due to delays in the selection process, Mr. Frederick Artesani did not serve on the Board since mid-January 2015. For the same reason, during November 2015 Mr. Ymer Havolli and Mr. Ruzhdi Morina also did not serve. All three, having been re-appointed by the Assembly, began their third mandates on December 1, 2015.

KPST welcomes its new Board members on their first term: Mr. Joly Dixon and Mr. Behxhet Haliti.

**MR.SC. FLAMUR KEQA**

Chairman of the Audit Committee and Member of the Complaints Committee

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

**MR. BEHXHET HALILI**

Member of Investment, Audit and Complaints Committees

Economist graduated from the University of Prishtina. Since 2003 has been involved in drafting and implementing fiscal policies

Professional

December 2015

First

**MR. JOLY DIXON**

Member of Investment and Budget Committees

An economist with a long experience in policy making. Around 30 years spent in the European Commission and has extended experience in fiscal policy. An honorary citizen of London

Professional

December 2015

First



THIS
POSITION IS
CURRENTLY
VACANT

--

A position has been vacant since January 2015.

Professional

--

--

GOVERNING BOARD COMMITTEES

Four permanent committees facilitate the functioning and decisionmaking 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 openend 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.

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:

Frederick Artesani ¹⁾

Flamur Keqa ²⁾

MEMBERS:

Ymer Havolli
Behxhet Haliti ⁴⁾
Joly Dixon ⁴⁾

Ymer Havolli ⁴⁾
Behxhet Haliti ⁴⁾

MEETINGS HELD:

Four

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.

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:

Ruzhdi Morina

Ymer Havolli ³⁾⁴⁾

MEMBERS:

Flamur Keqa
Behxhet Haliti ⁴⁾

Ruzhdi Morina ⁴⁾
Joly Dixon ⁴⁾

MEETINGS HELD:

Four

Three

¹⁾ From February to October 2015 the chairman of the Investment Committee was Mr. Driton Qehaja; before and after Mr. Frederick Artesani was the chairman.

²⁾ Up to October 2015 the chairman of the Audit Committee was Mr. Leendert van Driel.

³⁾ Up to October 2015 the chairman of the Budget Committee was Mr. Alan Pickering.

⁴⁾ Member since December 2015.

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 for 2015 was 0.0% as there were no additions or employment terminations for permanent positions (2014: 0.0%).

During 2015, as in the previous year, permanent employees of KPST numbered 1 part-time and 25 full-time employees.

KPST takes very seriously its nondiscriminatory 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 all aged by one year and the average age of employees at the end of 2015 was 41.3 years old.

UNIT 	CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE	INVESTMENT AND RISK
PERMANENT EMPLOYEES 	9	4	3	--
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 officer of investment and risk (<i>position vacant, covered by DD for Finance and IT</i>)
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>Analysis on: performance of investments; investment portfolio risk and volatility; compliance of investments with the Law; maintenance of the investment strategy of the Board; etc.</p>

HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE AND PROCUREMENT	INTERNAL AUDIT	PUBLIC RELATIONS, TRAININGS, TRANSLATIONS
3	2	1	1
<p>1 human resources officer 1 housekeeper 1 security officer</p>	<p>1 legal officer 1 procurement officer</p>	<p>1 internal auditor</p>	<p>1 public relations officer, coordinator for translations and trainings</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 continued 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.

The number of the audits and inspections, as well as their intervals, remained the same in 2015. In terms of reporting, KPST notifies quarterly the CBK, the Assembly and the Government on pension fund placements, new investments, return on investments and the reconciliation of pension assets. These reports are published in the website of KPST for the purpose of informing the public.

Apart from quarterly reports to the CBK on the compliance of investments with the law and CBK rules, with the request of CBK, KPST has also started to submit monthly detailed reports to the supervision department of CBK in relation to all investment aspects and the overall state of pension assets.

Should KPST investments, due to movements in financial markets, happen to fall out of compliance with the law, KPST is obliged to notify the CBK and rectify the situation within 180 days. Up to the end of 2015 no such occurrences had been encountered.

By May 31st of each year, KPST compiles the Annual Report for the previous year and submits 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. The annual reports are also published on the website.

During the year CBK finalised the inspection of KPST for 2014, 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 findings, CBK also makes recommendations to the Board, as was the case in 2015 when the Board was asked to engage an external member in its Audit Committee. The matter is still being debated: whether this recommendation interferes with any aspect of the independent running of the institution.

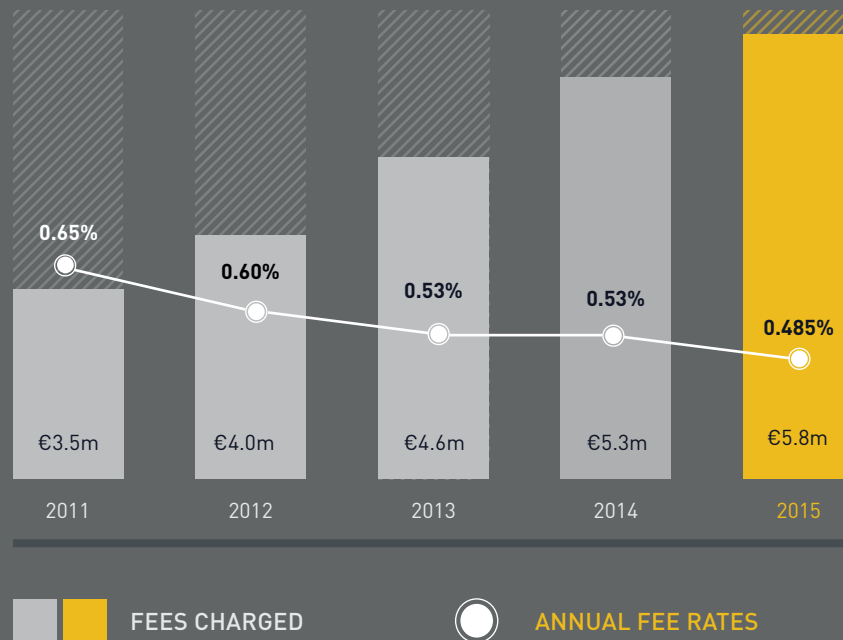
KPST notifies the CBK on all Board decisions dealing with contributors, fund's governance, and other issues for pension assets. CBK, as regulatory and supervisory body of pension funds of Pillars II and III in Kosovo, is at all times informed about the activities of KPST. KPST has an internal auditor who reports four times a year to the Audit Committee of the Board on all aspects of institution's activities.

ISSUES AND RECOMMENDATIONS RAISED BY CBK, EXTERNAL AUDITOR AND INTERNAL AUDITOR DURING / FOR 2015 AND THEIR STATUS

EXAMINER / AUDITOR	ISSUE / RECOMMENDATION	FOLLOW UP
CENTRAL BANK OF KOSOVO	The Audit Committee to include an external professional.	The Board is in communication with the CBK relating to this recommendation.
EXTERNAL AUDITOR	Unallocated contributions in the amount of €10.8m (from the total of €973.4m collected for the period 2002-2014) were not allocated to participants accounts as at December 31, 2014.	KPST was committed to securing as many missing reports throughout the year, and has managed to reduce by €1.6m that figure, despite receiving a record amount of contributions; and will continue to attempt to further decrease unallocated amounts.
INTERNAL AUDITOR	There were some inconsistencies between the versions in Albanian and English of internal policies and procedures.	The document was reviewed and corrections were made where necessary.
	The beta version of the electronic portal for booking and recording the use of the official vehicle, records the mileage but does not display it in the travel log report.	The displaying of trip's kilometers in the relevant report was implemented in the second phase of development, at the start of 2016. This was part of the "digital office" project.
	During the initial implementation of the Collective Agreement minor errors in calculating work experience were identified.	Corrections were made in the first month that followed the finding.
	There are cases where participants, with contributions allocated to their accounts, are not in possession of identification numbers issued by Kosovo institutions.	Foreign nationals - who did not have identification documents of Kosovo - and who were required to contribute prior to changes in the law in 2011, were not always required to be equipped with Kosovo identity documents. The opinion of CBK will be sought for this issue.

7

TOTAL NUMBER OF AUDITS AND INSPECTIONS
DURING 2015 (2014: TOTAL 7)



Combined annual fee rates in 2015 were lower at 0.485% of assets (2014: 0.530%). Due to the need for lower financing of operating expenses through the operating fee the latter was reduced to 0.085% (2014: 0.130%), whereas the investment fee was unchanged at 0.40%.

However, in nominal terms the fees charged increased by €550,159 due to the increase in assets under management. The nominal increase of 10.4% was none-the-less lower than the 13.0% increase in (gross) assets under management.

Fees charged generated revenues of €5,819,478 of which €4,718,409 to cover investment expenses and €1,101,069 to cover operating ones.

Non-fee revenues of KPST for the year were €114,233 which brought the total 2015 revenues to €5,933,711, or 7.1% higher than the year before (2014: €5,542,829). Around 93.9% of non-fee revenues were due to the interest of investing operational assets in T-bills of the Government of Kosovo.

FINANCING

On average KPST charged its participants with operating fees of €0.19 per month

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.

From March 13, 2015 to December 31, 2015 KPST charged a combined annual fee of 0.485% of assets, made up of the investment fee of 0.40% and the operating fee of 0.085% (January 1, 2014 to March 12, 2015: 0.53%, 0.40% and 0.13% respectively).

The annual operating fee of 0.085% 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 0.43%, in Macedonia 0.48%, Romania 0.60%, and in Bulgaria 0.95%-1.00%.

Furthermore, pension operators in Croatia charge entry fees of between 0.7% and 0.8% on each contribution paid in. In Macedonia average entry fees were 3.25%, 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. It should be noted that 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 must be evaluated and budgeted before the year starts), and actual expenses.

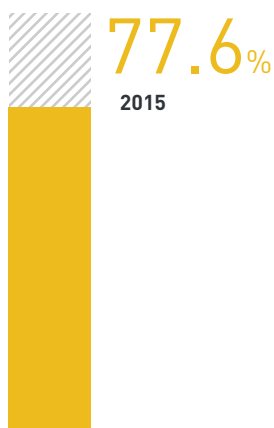
Going back to the operating fee, which has cost account holders an average of €2.28 for the year (2014: €2.71), has made it possible for participants and retirees of KPST to receive:

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 or via e-mail;	08	free retirement application and no charges by KPST for bank transfers;
03	unlimited printing of account statements at KPST office or TAK regional offices;	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



Investment expenses include: fees that fund managers withhold for access and asset investment in the financial markets; CBK fees for transfer of assets; and other expenses such as brokers and custodians of assets. The Governing Board during the selection process of investment funds takes into account the fees that managers charge and managers that offer lower fees have priority during such selection.

Also it should be noted that fund managers charge different management fees depending on their investment strategies (active or passive) and amounts placed with them. For example assets invested up to €50 mln can have a different fee from assets above €50 mln with the same fund manager, since fund managers can give discounts for larger asset placements.

Investment expenses constituted 77.6% of total KPST expenses for the year (2014: 69.0%). In nominal terms they reached €4,442,773 (2014: €3,104,044) due to record assets invested in global markets which came to €1,078m on average during the year, or 34.9% more than in the previous year (2014: €799m).

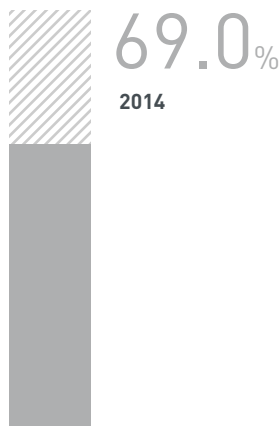
It should be noted that investment funds in financial markets charge around 1% in average for managing funds, whereas KPST through individual agreements and prudent selection has ensured that fees paid to investment funds - through which it invests its assets - to have the weighted average of around 0.40% of assets.

This was the reason why the Board requested an investment fee of 0.40% be charged for 2015.

Investment expenses came to 94.1% of income from investment fees (2014: 78.1%), resulting in a surplus from investment activities of €277,045, which was substantially lower than in 2014.

This year's surplus, together with the surplus from investment activities accumulated from the previous years, made it possible for the Governing Board to refund to the pension assets €1,055,000 during 2015, thereby reducing to a maximum the surplus of KPST for the purpose of the investment of assets.

When the investment fee is assessed KPST aims to be as true and precise in evaluating the needs for the same. However, it is extremely difficult to predict both the investment performance and the strategic allocation of assets for the coming year (due to external factors which can affect both markets and Board's investment decisions), which inevitably results in a surplus (or deficit) from investment activities.



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.

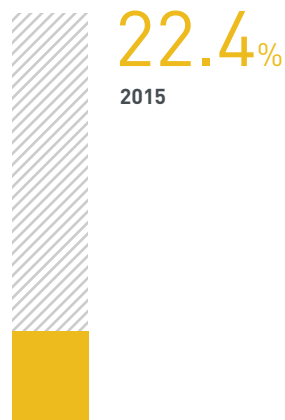
Through the payment of these fees, in some cases, KPST has access to financial markets at a lower costs than it would if it were to invest directly. But, in all the cases, KPST benefits from the investment experts of the fund managers.

Active investment funds, which perform transactions, research and risk management on daily basis, tend to have higher expenses and thereby understandably charge higher fees.

Whereas passive investment funds, which follow a particular index in the market, have lower management fees in general, and in the case of KPST this is only the case with Vanguard - GSIF.

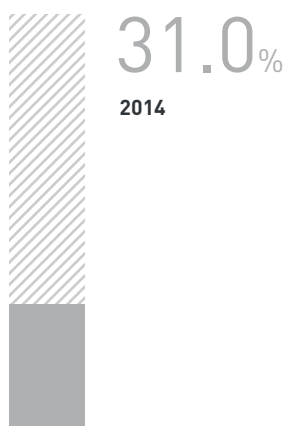
Open-end funds	2015		2014	
	Annual fee rate	Fees charged	Annual fee rate	Fees charged
Vanguard – GSIF	0.13%	€459,946	0.13%	€423,039
BNY Mellon – RRF	0.60%	€1,033,227	0.60%	€868,854
AXA - GILB	0.35%	€312,475	0.40%	€215,412
Schroders – SISF	0.45%-0.50%	€558,529	0.45%	€508,375
Aquila - RP7	1.06%	€143,518	0.79%	€231,565
Nordea 1 – GSEF	0.43%	€241,760	0.44%	€81,464
Nordea 1 – SRF	0.56%	€676,803	0.59%	€232,940
KBI – IDEF	0.73%	€412,311	0.73%	€152,493
AXA - WFOI	0.55%	€154,565	0.55%	€61,130
Pictet - HDS	0.63%	€209,272	0.63%	€76,744
Tobam - ABWEF	0.60%	€221,342	0.60%	€86,264
ECM - DEC	--	--	0.50%	€101,033
TOTAL FEES		€4,423,748		€3,039,313
Transfer and other fees by CBK		€9,138		€53,244
Brokers, custodians and pledges		€9,887		€11,487
TOTAL INVESTMENT EXPENDITURE		€4,442,773		€3,104,044

OPERATING EXPENSES



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 investment decision-making being the most important of Board's activities.

Operating expenses for 2015 amounted to €1,282,483 (2014: €1,397,306) and accounted for 22.4% of total KPST expenditure (2014: 31.0%). This resulted in 96.6% of the budget (for goods and services) to be realised (2014: 93.0%).



The most important factor in making operating expenses 8.2% lower than in the previous year related to mailing of account statements to participants (effect €130,320). None-the-less, the reduction in expenses for account statements was not due to lower postal charges; quite the contrary, the cost of mailing a statement increased 33% (from €0.30 to €0.40 per statement). The reduction is due to year 2014 including two account statement cycles (the 2013 cycle with €153,154 and the 2014 cycle with €147,553), whereas year 2015 includes only the 2015 cycle (€170,387).

The expense for account statements in 2015 would have been even higher (by approx. €29,000 for printing and mailing) had KPST not initiated the sending account statements by email for around 70 thousand participants for whom KPST possessed email addresses.

Further, most other expense categories also declined (see table on page 21). One could highlight amongst them Governing Board expenses (€20,460 less, due to the Board not being complete for most of the year and also undertaking less official travel), and the disaster recovery expenses (€10,527 less, due to the relocation of backup servers within the facilities of the Ministry of Public Administration).

Staff costs make up the biggest category of operating expenses, and in 2015 it accounted for 44.8% of operating expenses (2014: 37.3%). The main factor in this increase was the thanks to implementing the Collective Employment Agreement, more specifically the provisions for additions related to work experience. In December 2015 KPST employees on average had 15 years of work experience. KPST staff count of 26 permanent employees has increased by only 5 since establishment in 2002; however, during 2016 and 2017 KPST will definitely need to increase the number of employees, especially in the field of investment and risk of pension assets.

In addition to the budget for operating expenses KPST had a modest capital expenditure budget (€29,750), which for 2015 was realised at the rate of 90.5% (2014: 95.2%).

(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.

OPERATING EXPENSES	2015		2014	
Staff costs	€574,068	44.8%	€521,541	37.3%
Account statements and correspondence	€170,387	13.3%	€300,707	21.5%
Governing Board expenses	€157,403	12.3%	€177,863	12.7%
Depreciation and amortisation	€151,399	11.8%	€144,257	10.3%
Office operating expenses	€82,664	6.4%	€82,631	5.9%
Software maintenance	€44,812	3.5%	€54,525	3.9%
Public education and advertising	€41,479	3.2%	€33,824	2.4%
External audit	€9,900	0.7%	€9,900	0.7%
Communication	€8,705	0.7%	€11,662	0.8%
Professional services/Contractors/Consultants	€8,583	0.7%	€9,952	0.7%
Bank charges	€8,141	0.6%	€8,440	0.6%
CBK supervision charges	€6,606	0.5%	€7,755	0.6%
Disaster recovery - rent and other associated costs	€6,650	0.5%	€17,177	1.2%
Meetings and conferences	€1,791	0.1%	€937	0.1%
Other costs	€9,895	0.8%	€16,135	1.2%
TOTAL OPERATING EXPENSES	€1,282,483	100.0%	€1,397,306	100.0%



ACTIVITIES

THE BOARD

With the exception of November 2015, when the Board had only one mandated member, during the rest of the year the Board and its committees functioned normally. The Board's focus was on maintaining good investments and has reviewed on regular basis the performance of each investment fund and the compliance of investments with legislation in force. The Board has also fine tuned the investment manual document and the investment strategy based on expectations for the developments in financial markets and KPST participants' needs.

During the year the Board increased by €40m investments with Nordea SRF and by €25m those with AXA GILB. The Board significantly increased placements in securities of the Government of Kosovo (63.9%), and it placed one year term deposits of €3m each with "Banka për Binzes" and "Banka Kombëtare Tregtare (Kosovo branch)".

Members of the Board during the year held several meetings with leaders of various institutions of Kosovo, mainly financial institutions.

The Board was also committed to finding a solution which would enable providing of the phased withdrawal program by all the banks in Kosovo, making it easier for retirees to withdraw their funds on monthly basis.

The Board also agreed to examine the possibility of separating the investment of pension assets for different age cohorts, and to decide on the same in the coming years.

All the while, all of the Board's committees have, on regular basis and when necessary, addressed in all aspects investment, budget, audit, and complaints issues.

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. These meant 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 annual report, 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.

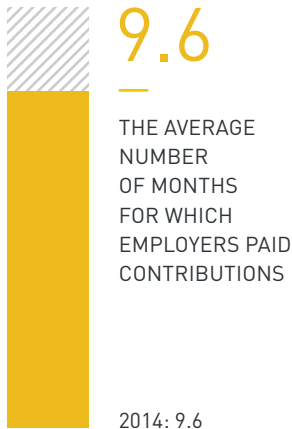
At the same time, it was ensured that the on-line service eTrusti which numbers around 50 thousand users, and the KPST website, were functioning 24 hours a day; for contributors to be informed about the balance on their accounts whenever they need it; for the communication with the public and third parties to be available every working day. Above all, it has ensured 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 participants.

During 2015 the Management was predominantly focused on: a) the preparation of the technical infrastructure for providing multiple portfolios for participants, to minimise the risk to those who are closer to retirement age; b) increasing the number of eTrusti users, with the aim to improve direct communication, increase transparency and reduce the financial costs of informing participants by mail; c) identifying contributors with supposedly wrong addresses that did not receive account statements during the past two years; d) no financial loss to retirees in PWP without access to ATM machines of PWP provider bank; e) advancing legislation through active participation in drafting amendments to the current Law on Pension Funds; f) further improvement of internal information technology and digitalisation of telephony with the aim of providing better services to contributors; g) assisting in the selection of Board members; h) treatment of contributions not allocated to participants' accounts; and i) preparation of three-year strategies for investment operations, public relations and IT.

During the year there was considerable advancement on the project which aims to transform KPST into an institution that does uses as little paper as possible (Paperless office).

ACCOUNT MANAGEMENT

394,160 statements sent. They disclosed nominal fees charged on respective accounts



In the 2015 cycle there were 42,813 fewer statements printed and sent compared to the 2014 cycle. The number of contributors for whom KPST did not have an address was 14,836 (2014: 15,038) and for them statements were not sent.

Due to the retirement (or death) of contributors, 4,438 accounts were "withdrawn" anew during 2015 (2014: 4,049). The total number of withdrawn accounts reached 28,981. Account statements also don't get sent for this category of account-holders.

KPST opened 31,404 new individual accounts (2014: 29,300), bringing the total number of accounts opened since establishment to 507,963. Out of the number of accounts opened during the year, first-time contributors numbered 25,897, i.e. participants who started contributing in 2015; with the rest being cases of contributions for prior years for which KPST received either the payment or the information in 2015.

During the year there were 25,178 employers and 31,405 self-employed who paid contributions for the reporting year (2014: 23,570 and 30,253, respectively). In addition, there were 3,288 employers and 4,616 self-employed who paid contributions for prior years only (2014: 1,105 and 2,405, respectively).

In total, for 2015, there were 2.89m transactions posted on participants' accounts and 423 thousand transactions posted on employer accounts (2014: 2.89m, and 420 thousand, respectively).

Included in transactions to employer accounts are 26,032 refund transactions (2014: 20,219 refund transactions) of refunding of: a) contributions paid in error or over payments; or b) fines and interests levied by TAK on employers (and the self-employed) for delays in settlement, or the incorrect reporting, of pension contribution liabilities - and which are subsequently paid by the employer together with pension contributions.

The refund transactions in 95% of cases were based on payments received during the same year, i.e. during 2015. In 2014 they comprised 89% of cases and in 2013 only 76% of cases.

This progress provides proof that the proactive approach adopted by KPST for identifying erroneous contributions is giving very satisfactory results leading to a better, more reliable and comprehensive identification and subsequent refunding of the same.

During the year on average employers declared and paid for 9.6 (or 80% of) months of 2015, as the year before; and the self-employed for 3.3 (or 82.5% of) quarters of 2015.



CONTRIBUTION ALLOCATION

Unallocated contributions reduced to 0.90% of all the contributions collected

During 2015 KPST persisted with the good dynamic of identifying owners of unallocated pension contributions and allocating the same in respective accounts. This helped close the year with the fewest unallocated contributions in its history.

The year ended with unallocated contributions at €9.97m, or 0.90% of total contributions collected (2014: €10.80m, or 1.11%). In addition, contributions which were paid during the reporting year and were not allocated stood at €0.39m; this corresponded with 0.22% of contributions received and also marked the best year to date (2014: 0.27%).

These result were achieved despite receiving a record number of contributions in a year since inception.

The Board had set targets for unallocated contributions of: a) 0.92% for receipts 2002-2015 - which resulting in 0.90% was exceeded; and b) 0.25% for receipts during 2015 - which resulting in 0.22% was also exceeded.

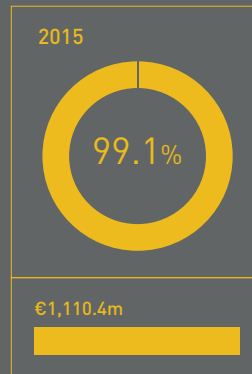
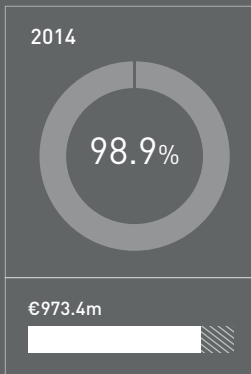
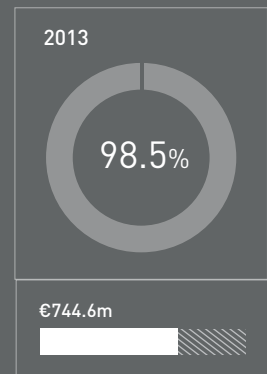
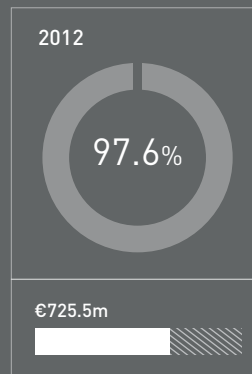
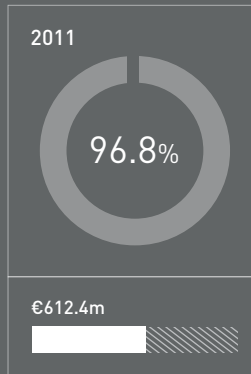
Reasons for unallocated contributions remain the same in both number and relevance.

There were: a) €6.70m due to employers not submitting contribution reports; b) €2.18m due to payments mismatching contribution reports; c) €0.56m due to payments for which the employer was not identified; and d) €0.53m for invalid contributor details (ID / Name) reported (2014: €7.41m; €2.31m; €0.57m, and €0.51m, respectively).

This year continued with results achieved mainly through contacting employers with the aim of securing missing contribution reports (effect €0.84m). The drop in unallocated contributions is a direct result of the commitment shown by the staff of Client Services and those of IT, but also of the help provided ATK through its pension officers.

There was an increase of €0.02m in the unallocated contributions due to the reporting of employees (by employers) with incorrect personal details. This was partially caused by the change of the register used by TAK to check personal contributor data, a register which has a substantially lower number of persons in it (only those that have furnished themselves with the birth extract).

CUMULATIVE CONTRIBUTIONS RECONCILED AND COLLECTED



RESULTS vs TARGETS

CONTRIBUTIONS 2015 - UNALLOCATED



CONTRIBUTIONS 2002-2015 - UNALLOCATED



CLIENT SERVICES

289 services offered daily

The total number of services offered during 2015 for individuals and employers from the KPST office was 72,266. This represents a 22% increase in comparison to 59,030 services provided during 2014.

On average 289 services and consultations were provided every working day (2014: 236 services).

The number of account statements printed (free of charge) for walk-in visitors was 33,368.

With 47%, 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 one of the proofs 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 43,608 (2014: 30,058). KPST continually cooperates with the regional TAK offices and supports them in various forms, including providing training and consultations to pension officers.

Other major services offered by KPST staff members were: 11,191 authorisations for access to the on-line portal eTrusti; 6,258 pre-retirement notifications; 4,691 address updates; 4,438 benefit applications handled; and provided 1,686 responses to customer inquiries made through the eTrusti portal.

The popularity of eTrusti portal increased sharply this year. A significant cause for this was its advertisement through TV channels and in the KPST office. Despite not being required by any legislation to offer this service, KPST through self initiative promotes this service: to enable its participants free and easy access to their savings account; to continually improve services, to lower costs and to achieve a higher degree of transparency.

The number of contributors with an activated access to eTrusti during the year increased by 30% to 48,427 (2014: 37,222), which represents roughly 10% of its account-holders (2014: 8%).

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 only to the last 3-6 months. In it participants can check on the balance of their account, daily unit price, unit balance, all their contributions from every employer since opening the account; and in addition can post questions to KPST staff.

In total, participants were serviced with 123,820 services, or 24% more than in the previous year (2014: 99,646 services - correction on Annual Report 2014). Of these 59% were provided through the KPST office, 34% through TAK pension officers and 7% were participants' self-services through eTrusti.

1,686

RESPONSES TO INQUIRIES MADE THROUGH THE PORTAL



TOTAL SERVICES OFFERED FROM THE OFFICE FOR CONTRIBUTORS AND EMPLOYERS

2015
72,266



2014
59,030



▲ 22%

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.

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

In 2015 KPST adhered fully to the Statement of Investment Principles (SIP) and the Investment Policy Guideline (IPG) set in 2014. The SIP 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. The SIP sets the Consumer Price Index in Kosovo as a benchmark against which the performance of KPST investments is to be measured.

The 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. This objective was met in 2015 when, despite highly turbulent financial markets, oscillations were quite successfully subdued and protected the value of investments.

The Board has reviewed the strategic allocation and its limits every quarter; the compliance of allocations with the limits for asset classes or the investment strategy adopted by open-end fund managers. At the same time, through careful analysis, KPST investments were 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 - i.e. financial instruments of direct investments as well as those of indirect investments held through open-end funds; and b) investment strategy adopted by individual open-end funds.

Each combination of asset classes and strategies has minimum and maximum of investments allowed in them. The table below shows the combination of asset classes and respective strategies, actual allocations as of December 31, 2015 as well as respective limits in force on that day as set by the Governing Board.

ASSET CLASS	STRATEGY	ACTUAL ALLOCATION	LIMITS
Cash/Kosovo T-bills/Deposits	Interest bearing	7.0%	1%-10%
Kosovo T-bonds	Interest bearing	4.9%	0%-9%
Debt Instruments	Directional	16.8%	15%-25%
Multi-assets	Managed/Targeted risk; Absolute return	28.0%	25%-35%
Equities	Dividend	7.5%	5%-11%
Equities	Managed/Targeted risk; Absolute return	7.5%	5%-11%
Equities	Directional	28.3%	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 redetermined 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 established level of risk.

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

€89.6m was the value of investments in Kosovo debt securities at the end of the year

KPST closed 2015 with €1,231.2m in assets under management which were distributed as follows: €1,084.7m were invested in financial markets through open-end funds (2014: €1,023.7m); €89.6m were invested in debt securities of Kosovo (2014: €54.7m); €6.0m were placed in term deposits with BKT and BpB banks (2014: nil); whereas €50.9m were not invested, in CBK (2014: €9.9m).

It should be noted that the Board requires for investments through open-end funds to be liquid and well diversified, to have a satisfactory performance, for investments to be permitted with the Law on pension funds and the investment policy of KPST, and for fund managers to have sufficient experience in the industry.

During 2015 the Board invested an additional €65.0m in open-end funds, of which €40.0m to the Nordea SRF fund and €25.0m to the AXA GILB fund.

During the year the Board allocated a record of assets in debt instrument issued by the Government of Kosovo, placing around €78.1m. It should be noted that the year started with €54.7m in this instrument, with €44.8m maturing during the year.

The Governing Board intends to continue investments in this instrument during 2016, in compliance with legal limits in force.

During the year the Board decided to redeem in full investments in the Aquila Risk Parity 7 Fund, which had €28.8m. The Board expected this fund to be more immune to fluctuating markets in order to justify relatively higher fees than other funds in the portfolio. The redemption of the remaining portion of assets with this fund (a portion of assets was redeemed in 2013), resulted in realised gains of €1.5m.

INVESTMENT	ASSET CLASS / STRATEGY	ASSETS	ALLOCATION
Vanguard - Global Stock Index Fund	Equities / Directional	€348.6m	29.5%
BNY Mellon - Real Return Fund	Multi-assets / Absolute return	€170.6m	14.5%
Nordea 1 - Stable Return Fund	Multi-assets / Managed risk	€145.7m	12.3%
Schroders - International Strategic Bond Fund	Debt instruments / Directional	€111.6m	9.5%
AXA - Global Inflation Linked Bonds Fund	Debt instruments / Directional	€95.8m	8.1%
Kosovo Treasury	Kosovo T-bills / Interest income	€29.4m	2.4%
Kosovo Treasury	Kosovo T-bonds / Interest income	€60.2m	5.1%
KBI - Institutional Developed Equity Fund	Equities / Dividend	€58.9m	5.0%
Nordea 1 - Global Stable Equity Fund Unhedged	Equities / Managed risk	€57.7m	4.9%
Tobam - Anti-benchmark World Equity Fund	Equities / Targeted risk	€35.0m	3.0%
Pictet - High Dividend Selection	Equities / Dividend	€33.0m	2.8%
AXA - World Fund Optimal Income	Multi-assets / Absolute return	€27.9m	2.4%
BKT and BpB (banks in Kosovo)	Deposits / Interest income	€6.0m	0.5%
TOTAL INVESTED ASSETS		€1,180.4m	100.0%

Note: More details for each investment fund are presented in the financial statements on pages 111 to 121.

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 1,947 issuers globally. The asset allocation by country on reporting date is presented in tabular form as well as according to their global spread.



01. AMERICAS
€567,195,999

48.05%



02. EUROPE
€493,861,978

41.84%



03. ASIA
€80,499,309

6.82%



05. AFRICA
€1,424,567

0.12%



04. OCEANIA
€37,405,293

3.17%



NO.	COUNTRY	%	ASSETS
01.	USA	44.04%	€519,796,767
02.	United Kingdom	10.70%	€126,315,926
03.	Kosovo	8.10%	€95,654,197
04.	France	4.76%	€56,139,021
05.	Japan	4.72%	€55,655,442
06.	Germany	3.95%	€46,643,316
07.	Canada	3.19%	€37,697,395
08.	Switzerland	2.73%	€32,166,530
09.	Australia	2.61%	€30,863,816
10.	Netherlands	2.54%	€30,010,757
11.	Denmark	1.77%	€20,951,063
12.	Italy	1.57%	€18,546,696
13.	Spain	1.26%	€14,900,839
14.	Ireland	1.22%	€14,379,276
15.	Sweden	0.94%	€11,090,830
16.	Hong-Kong	0.71%	€8,374,461
17.	Belgium	0.59%	€6,982,915
18.	New Zealand	0.55%	€6,541,477
19.	Israel	0.45%	€5,349,131
20.	Luxembourg	0.44%	€5,249,574
21.	India	0.37%	€4,358,561
22.	China	0.30%	€3,495,596
23.	Norway	0.28%	€3,337,751
24.	Singapore	0.27%	€3,170,000
25.	Austria	0.26%	€3,101,902
26.	Others	1.66%	€19,594,427

Note: Cash assets and funds with CBK were not included in calculations.

MAIN ISSUERS

US Treasury continues to top the list

The US Treasury continued to take first spot in the list of Top 20 issuers, with 9.97% of KPST assets (including cash at CBK) or €122.76m. Second in line was the Kosovo Treasury with 7.28% and a value of €89.64m. The Top 20 issuers listed below accounted for 30% of KPST assets (2014: 29%). The remaining 70% was comprised of 1,927 issuers each holding 0.4% or less of KPST assets.

This year there were more changes in the Top 20, whereby 8 issuers left the list. Most striking is the relegation of German Treasuries, part of the list for 5 years running, from last year's No. 7 spot.

In addition, the Dutch Treasury, Sanofi-Aventis, Royal Dutch Shell, Bayer AG, Exxon Mobil Corp, Accenture Plc, and British American Tobacco, all left the Top 20.

The list was instead populated by: Nykredit, Alphabet Inc, AT&T Inc, Pfizer Inc, Verizon Communications Inc, JP Morgan Chase & Co, Danske Bank, Cisco Systems Inc. The changes came as the funds, newly engaged in 2014, are being allocated an increasing portion in the investments of KPST.

ISSUER	ASSETS	ASSET ALLOCATION
01. US Treasury	€122.76m	9.97%
02. Kosovo Treasury	€89.64m	7.28%
03. United Kingdom Treasury	€26.98m	2.19%
04. Microsoft Corp	€13.27m	1.08%
05. Australia Treasury	€10.64m	0.86%
06. Johnson & Johnson	€10.11m	0.82%
07. France Treasury	€9.04m	0.73%
08. Nykredit	€9.03m	0.73%
09. Apple Inc	€9.00m	0.73%
10. Roche Hldg Ag	€8.47m	0.69%
11. Novartis Ag	€8.25m	0.67%
12. Alphabet Inc	€7.81m	0.63%
13. AT&T Inc	€7.59m	0.62%
14. Italy Treasury	€7.17m	0.58%
15. Pfizer Ag	€7.04m	0.57%
16. Verizon Communication Inc	€6.30m	0.51%
17. JP Morgan Chase & Co	€5.47m	0.44%
18. Danske Bank	€5.95m	0.44%
19. Merck & Co Inc	€5.41m	0.44%
20. Cisco Systems Inc	€5.40m	0.44%

ASSET CLASSES AND CURRENCIES

Equities made up 64.8% of invested assets

Invested assets of KPST, both directly and indirectly, at the end of 2015 consisted of equities 64.8%, debt instruments 37.5%, cash and money market instruments 2.4%, and a net -2.7% on derivatives (2014: 67.3%, 33.0%, 3.6%, and net -3.9% respectively).

Out of the 37.5% of investments in debt instruments, 100.0% consisted of instruments which are not classified as high risk.

Investments in Kosovo Treasuries, despite not having a rating, are valued by the law as being of a prime quality.

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 56.0%; EUR 27.0%; GBP 7.9%; JPY 1.6%; AUD 1.9%; DKK 1.6%; CAD 1.4%; CHF 1.2%; and the rest 1.4%.

INVESTMENTS IN DEBT INSTRUMENTS - RATED

RISK	RATING	QUALITY OF PLACEMENT	PPERCENTAGE OF DEBT INSTRUMENTS
	--	Kosovo Treasury	20.7%
	AAA	Prime	30.1%
	AA	High	29.4%
	A	Upper middle tier	9.0%
	BBB	Lower middle tier	7.1%
	BB	Speculative	2.5%
	B	Highly speculative	1.2%
	C and below	High risk	0.0%
TOTAL			100.0%

INVESTMENT PERFORMANCE

A positive year with +2.3%, and the highest volatility since 2010

The three main pressures on global financial markets in 2015 were: 1) the political tensions that led to the imposition of economic sanctions against Russia; 2) the slowing of China's economic growth, and 3) the rapid and strong decline in the oil price, undermining the economic development of many net oil exporting countries. These pressures harmed investors' expectations for future prospects for many sectors and global corporations, especially those in US.

As a result, some of the major global indices closed negative for the year, including the main indices of NYSE, the world's leading stock exchange. The S&P 500 was down -0.7% and Dow Jones Ind. -2.2% for the year.

KPST on the other hand, despite having 64.8% of its invested assets in equities at the close of the year, managed to achieve a +2.3% return for the year. As such, the unit price went up from €1.2879 to €1.3171 during this period.

The gross return on investments was €28.4m, which translated to a net return of €23.7m after deducting investment and operating fees charged on the fund.

This is thanks to 8 out of 11 funds utilised by KPST having a positive performance for 2015. Funds performing the best were: Nordea GSEF (+14.7%), Pictet HDS (+9.1%), KBI IDEF (+7.2%), AXA WFOI (+6.0%) and Nordea SRF (+4.5%).

GSEF Nordea had another impressive performance this year, which was helped through fewer or no investments in the energy sector. With an average allocation of 4.8% of KPST assets for the year, it was able to contribute 26% of the return. The other funds benefited primarily from a combination of better geographical positioning (mainly US and Japan) and the selection of sectors and financially consolidated companies.

The year was negative for fixed income funds utilised by KPST, such as Schroders ISB and AXA GILB. The main factor was the continuation of monetary easing policies in Europe and very low rates for treasuries of the developed world.

Investments in Kosovo also contributed positively to the fund, especially Government of Kosovo treasuries which accrued €1.7m worth of returns. Term deposits through banks in Kosovo had only a symbolic effect, as those investments were both comparably small in quantity and were made during the last quarter of the year.

Aside from returns through the placement of assets, during the year €1.05m were returned to the fund from the investment surplus of KPST Operations.

INVESTMENT	AVERAGE ANNUAL ALLOCATION	GROSS RETURN	PERFORMANCE
Vanguard - GSIF	29.99%	€6.01m	1.50%
BNY Mellon - RRF	14.60%	€4.48m	2.70%
Nordea 1 - SRF	10.33%	€4.84m	4.50%
Schroders - ISB	9.59%	€(2.94)m	(2.57)%
AXA - GILB	7.57%	€(0.80)m	(0.74)%
Kosovo Government treasuries	6.02%	€1.66m	1.85%
KBI - IDEF	5.01%	€4.40m	7.23%
Nordea 1 - GSEF	4.77%	€7.39m	14.69%
Tobam - AWEF	3.12%	€(1.22)m	(4.70)%
Pictet - HDS	2.81%	€2.76m	9.14%
AXA - WFOI	2.38%	€1.74m	6.02%
Aquila - RP7	1.17%	€0.05m	0.15%
Term deposits with BKT and BpB	0.09%	€0.02m	0.27%
TOTAL	97.45%	€28.39m	--
Not invested (CBK)	2.55%	--	--



CONTRIBUTION AND RETIREMENT

042 First-time contributing and dormancy

043 Contributions

044 Retirements and benefit payments

FIRST-TIME CONTRIBUTING AND DORMANCY

Annual contributions paid in rose by 6.8%. The increase in benefit payments was 32.8%. First-time contributors: 9.6% of active contributors.

KPST refers to individuals paying contributions for the reporting year, in this case year 2015, as active contributors. Whereas, first-time contributors, or 9.6% of active contributors, KPST refers to individuals that paid contributions for the first time for and during 2015 (2014: 9.1%).

First-time contributors numbered 28,577; while 35,437 members, or 11.9%, fell dormant (persons contributing in 2014 but not doing so in 2015). The number of members falling dormant does not include 4,438 contributors who withdrew their savings during 2015.

Meanwhile, 14.6% of first-time contributors were employed⁽¹⁾ for the first time at the age of 40+ (2014: 13.9%).

The average age for first-time employed contributors was 28, and 50% were 24 years or younger (2014: 28 and 24, respectively).

The self-employed, who made up 5% of first-time contributors (2014: 5%), were older on average. As in 2014 their average age was 35, and 50% were 33 years old or younger.

Women's share of first-time contributors fell to 39.0% of the employed and 27.4% of the self-employed (2014: 40.3% and 28.5%, respectively).

Women's share for falling dormant is lower than the share of first-time contributing, making up 32.3% of the employed and 17.9% of the self-employed who fell dormant (2014: 28.9% and 17.2%, respectively).

Falling dormant mostly occurs between the ages of 24 and 26. In fact, 50% of contributors that fell dormant in 2015 were 30 years old or younger for the employed and 39 years old or younger for the self-employed (2014: 30 and 39, respectively). The figures imply a less stable employment environment for younger ages.

It is encouraging that 18.0% of employed contributors, excluding here the self-employed, who fell dormant in 2014, contributed at least once during 2015 (2014: 15.8%).

Analysis of the data for the last five years reveals that 161,937 of the employed and 19,441 of the self-employed have contributed in each of the five years (2014: 155,384 and 19,037).

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).

Out of €1,110.9m contributions received since inception, €1,034.4m remain under management

CONTRIBUTIONS

Contributions not under management, or €76.6m, represent contributions paid out through benefit payments or refunds and which no longer were part of fund (2014: €60.4m).

Total contributions received during 2015 were €137.5m (2014: €128.7m), and out of this, employers and the self-employed have paid €125.7m for 2015, €10.3m for 2014, €0.5m for 2013, and €0.9m for 2002-2012.

Contributions received during 2015 increased by 6.8% compared to the previous year. In 2014 the increase was 8.0% and in 2013 it was 5.4%.

There were 3,873 new employers, more so than in the previous year (2014: 3,553). 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 3,288, a 10.0% increase from previous year (2014: 2,990). 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 for the reporting year, was 25,161.

At the end of the year, the average balance of pension savings in member's accounts was €2,539 (2014: €2,367).

CONTRIBUTIONS

PERIOD	RECEIVED	UNDER MANAGEMENT
2002-2011	€612.6m	€587.8m
2012	€113.0m	€101.9m
2013	€119.1m	€108.0m
2014	€128.7m	€115.3m
2015	€137.5m	€121.4m
TOTAL	€1,110.9m	€1,034.4m

COMPOSITION OF ASSETS UNDER MANAGEMENT

2015

CONTRIBUTIONS UNDER MANAGEMENT

84.3%

GAINS

15.7%

2014

CONTRIBUTIONS UNDER MANAGEMENT

83.9%

GAINS

16.1%

RETIREMENTS AND BENEFIT PAYMENTS

On average gains of 22.3% were realised by retirees and beneficiaries in 2015. The same figure for 2014 was 16.5%

During 2015 KPST Administration approved 4,438 new applications for the withdrawal of pension savings (2014: 4,045). The total of funds withdrawn by applicants in 2015 was €19.3m which consisted of nominal contributions in the amount of €15.8m. The total of accounts with withdrawals reached 28,981 since inception.

The increase in the value of withdrawn amounts compared to the previous year is due to: a) higher number of newly withdrawn accounts; b) the positive return on investment of +2.23%; and c) any additional contributions allocated to these accounts.

The number of individuals that withdrew their savings during 2015 as they had reached the retirement age of 65 was 3,468, or 78.1% of approved applications (2014: 3,095, or 76.4%). There were 182 cases of withdrawals due to the disability of the contributor, or 4.1% of approved applications (2014: 143, or 3.5%).

There were 786 cases of benefits paid to the beneficiaries of contributors that died prior to withdrawing their savings from KPST (2015: 810), and they made up 17.7% of approved applications (2014: 20.0%). In 37% of these cases contributors were younger than 55 when they died, 25% were 55-59, and 30% were 60-64 years.

Amounts transferred to the Phased Withdrawal Program (PWP) were €12.6m, whereas €6.7m were withdrawn in lump-sum payments (2014: €10.7m and €3.4m, respectively).

The transfer of funds to PWP, whose administration from December 2015 was entrusted to TEB Bank, made up 65.4% of total withdrawals for the reporting year (2014: 76.4%). The fall in the percentage of funds directed to PWP is thanks to the option now granted to participants in this retirement scheme to withdraw 20% of their balance in lump-sum.

Persons that reached the retirement age and were qualified for the withdrawal of savings via the PWP, i.e. had a balance of more than €2,250 in their KPST account, had the option to withdraw 20% of their balance in lump-sum with the remaining 80% directed to the PWP. Out of 2,273 such persons 85.0% opted for this option which was made possible with changes to the relevant regulation of CBK in November 2014.

Retirees and beneficiaries during the year on average realised gains of 22.3% on their pension contributions (2014: 16.5%). These gains were realised thanks to the returns from the investment of assets.

As a reminder, for the portion of assets that is withdrawn in lump-sum KPST is obliged to withhold the tax in accordance with the Public Explanation No 06/2014 of TAK.

WITHDRAWALS

PERIOD	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
2015	€15.8m	€19.3m
GJITHSEJ	€66.0m	€72.5m

PERCENTAGE OF WITHDRAWN FUNDS DIRECTED TO PWP

2015

65.4%

2014

76.4%



CONTRIBUTORS

This chapter summarises main demographic data for participants of KPST in 2015 and compares them to the previous year

It is important to note that statistics presented in this chapter relate to active contributors only. They do not represent those of total KPST account-holders which number 507,963.

There were 297,466 active contributors during the year (2014: 285,914). With at least one contribution during the year as employed feature 271,347 individuals, whereas as self-employed feature 30,390; these numbers include 4,271 contributors who are double-counted as during 2015 they contributed both as employed and as self-employed.

KPST continues to stress that the key to the adequate saving for retirement is the continuous and sufficient contributing. At least in the last three years there isn't sufficient improvement in contribution amounts, and a quarter of all accounts across all age cohorts and genders is made up of very low and/or sporadic contributions.

In 2011 according to the Kosovo Agency of Statistics there were 1.31 million inhabitants of ages 15-64 in Kosovo. With 297,466 active contributors in 2015, only 22.7% of that group had at least one month of some sort of formal engagement in work during the last three years.

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 assess current achievements and policy improvements needed. All with the final goal of ever improving of the current pension savings scheme.

EMPLOYED

271,347



SELF-EMPLOYED

+ 30,390



BOTH EMPLOYED AND SELF-EMPLOYED

- 4,271



ACTIVE CONTRIBUTORS

= 297,466



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

Roughly 1 in 5 active contributors again belonged to Prishtina in 2015. But its 4.0% growth in the number of active participants paled in comparison to places which reached double-digits figures: North Mitrovica +19.8%, +10.5% Glogovac and Fushë Kosova +10.1%.

A decline in the number of active contributors was present in 6 out of 38 municipalities: Partesh -29.3%; Klokot -8.8%; -7.0% Gracanica. It should be noted that highest movements in percentage were in municipalities where the number of participants was relatively small by comparison.



‡ 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	
				NO.	%
01.	PRISHTINA	57,458	19.3%	2,225	4.0%
02.	PRIZREN	23,755	7.9%	619	2.7%
03.	FERIZAJ	17,440	5.9%	955	5.8%
04.	PEJA	17,313	5.8%	880	5.4%
05.	GJILAN	17,179	5.7%	284	1.7%
06.	GJAKOVA	15,958	5.4%	440	2.8%
07.	PODUJEVA	13,426	4.5%	125	0.9%
08.	SOUTH MITROVICA	12,890	4.3%	492	4.0%
09.	VUSHTRRI	11,923	4.0%	244	2.1%
10.	GLLOGOC	9,984	3.4%	949	10.5%
11.	LIPJAN	9,109	3.1%	494	5.7%
12.	SUHAREKA	8,457	2.8%	496	6.2%
13.	SKENDERAJ	7,771	2.6%	436	5.9%
14.	FUSHË KOSOVË	7,362	2.5%	678	10.1%
15.	RAHOVEC	6,753	2.3%	361	5.6%
16.	ISTOG	5,983	2.0%	262	4.6%
17.	MALISHEVA	5,748	1.9%	370	6.9%
18.	VITIA	5,594	1.9%	110	2.0%
19.	KAMENICA	5,371	1.8%	166	3.2%
20.	KLINA	4,902	1.6%	240	5.1%
21.	OBILIC	4,659	1.6%	128	2.8%
22.	DECAN	4,454	1.5%	282	6.8%
23.	KACANIK	4,199	1.4%	157	3.9%
24.	SHTIME	3,748	1.3%	316	9.2%
25.	DRAGASH	3,389	1.1%	-89	-2.6%
26.	GRAÇANICA	1,648	0.6%	-124	-7.0%
27.	LEPOSAVIC	1,639	0.6%	73	4.7%
28.	NORTH MITROVICA	1,582	0.5%	262	19.8%
29.	SHTERPCE	1,194	0.4%	-52	-4.2%
30.	ZVECAN	1,101	0.4%	70	6.8%
31.	HANI I ELEZIT	1,096	0.4%	38	3.6%
32.	ZUBIN POTOK	875	0.3%	37	4.4%
33.	JUNIK	554	0.2%	-8	-1.4%
34.	NOVOBERDE	474	0.2%	5	1.1%
35.	RANILLUG	469	0.2%	25	5.6%
36.	MAMUSHA	439	0.1%	55	14.3%
37.	KLLOKOT	393	0.1%	-38	-8.8%
38.	PARTESH	357	0.1%	-148	-29.3%
	OTHERS†	820	0.3%	-231	-21.3%

CONTRIBUTOR AGE

Average age of active contributors in 2015 has increased to 40.5 from 40.3 years in the previous year. The median remained the same, 38 years old.

Average age for self-employed contributors was 42.6 years, while the average age for the employed was 40.1 years.

AVERAGE - MEN

41.6



AVERAGE - WOMEN

37.8



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 (66.4%) were under the age of 45.

In comparison with the previous year, with -0.4% the biggest fall was in 35-44 and 45-54 age groups. The age groups 15-24 and 55-64, with 12.4% and 12.5% respectively, were the only ones with an increase (2014: 11.9% and 12.2%, respectively).

AGE GROUP	2015	2014
15-24	12.4%	11.9%
25-34	29.2%	29.4%
35-44	24.8%	25.2%
45-54	20.0%	20.4%
55-64	12.5%	12.2%
65+	0.8%	0.8%

CONTRIBUTORS BY TYPE 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.

Two most vivid increases in the number of contributors were with LLCs and partnerships, which were 14.4% and 14.7%, respectively. However, the increase in the number of contributors in LLCs was not matched by the increase in the number of equivalent contributors in the same.

On the other hand there was a fall in both number and equivalent contributors through NGOs. Individual businesses increased the number of contributors but showed a fall in equivalent contributors, effectively meaning: more contributors for fewer total engagements.

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	COEFICIENT	FTE	CHANGE FROM 2014	
			EQUIVALENT CONTRIBUTORS	CONTRIBUTORS IN NUMBER	EQUIVALENT CONTRIBUTORS
01. Budget organisations	85,258	.920	78,437	0.0%	-0.7%
02. LLCs	90,477	.603	54,588	14.4%	3.3%
03. Individual businesses	71,840	.643	46,193	4.7%	-4.9%
04. Self-employed	30,393	.833	25,317	0.5%	1.4%
05. Joint stock companies	29,200	.787	22,980	-1.2%	-10.4%
06. NGOs	11,985	.491	5,885	-18.5%	-4.6%
07. Partnerships	5,682	.638	3,625	14.7%	13.0%
08. Others	7,109	.655	4,656	4.8%	-3.3%

AVERAGE CONTRIBUTIONS

Contributions paid by the employed in 2015 rose by 2.2%, or €42.21 on average, compared to the previous year (2014: €41.29). During 2014 the rate of increase was 6.0% and this can be interpreted as a slowing increases in salaries of the employed.

For the self-employed the rate of increase of 3.5% was higher than that of last year (2014: 2.0%). This is thought to be due to increased average age which also increases the minimum contributions required by law.

When it comes to contributions by age groups, they all showed increased average contributions. Highest increases were in the 65+ group (11.8%), followed by 55-64 group (7.6%), which is believed to be due to additions for work experience, as required by the Collective Employment Agreement, being implemented during the year for public sector employees.

On average contributions by gender, employed men on average this time round had a higher growth rate than women (2.6% vs 1.5%) when compared to the previous year.

For the self-employed, women showed a higher increase (5.0% vs 3.3%).

As such, women continued with lower average contributions. Employed women had 8.3% lower average contributions than employed men, whereas the same percentage when comparing the self-employed was 27.4%.



AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2013	€38.94	€29.80
2014	€41.29	€30.41
2015	€42.21	€31.48

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

	2015		2014		2013	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€25.49	€21.45	€24.81	€20.01	€24.97	€20.52
25-34	€38.59	€25.38	€38.30	€24.54	€37.14	€24.54
35-44	€47.48	€32.81	€45.75	€31.75	€42.85	€31.49
45-54	€47.17	€34.36	€45.18	€33.55	€41.65	€32.30
55-64	€52.14	€35.21	€48.46	€33.74	€43.80	€27.35
65+	€57.68	€36.22	€51.57	€28.00	€46.88	€28.37

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	 WOMEN		 MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2013	€36.84	€23.66	€39.88	€30.88
2014	€39.37	€24.34	€42.19	€31.52
2015	€39.97	€25.56	€43.28	€32.57

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 5.8% to 4.8% amongst the self-employed and has increased from 2.9% to 3.8% amongst the employed.

With 49.5%, the self-employed continue to largely contribute at the minimum required legal rate (2014: 49.9%).

Fewer than half (45.8%) contributed above the required minimum and the majority of the self-employed individuals risk not saving sufficiently for their retirement.

This year, 3.7% of the employed showed the minimum gross income and contributed the required minimum (2014: 3.8%), while 92.5% (2014: 93.3%) of the employed were declared and contributed above the minimum. The remaining portion (3.8%) 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	1.92%	0.37%	43.65%
OVER 35 YEARS OLD	1.92%	3.32%	48.82%

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS OLD	0.51%	13.06%	15.58%
OVER 35 YEARS OLD	4.24%	36.42%	30.18%

“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 presented below are 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.



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.

During 2015 KPST has participated in working groups to amend the Law, but up to now these amendments have not yet passed the process of being approved by the Government, and consequently, the Assembly.

KPST PROPOSALS FOR AMENDMENT OF THE CURRENT LAW

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, 2015

064 - 065	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 - 089	Notes to the financial statements

INDEPENDENT AUDITORS' REPORT

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, 2015, 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 the 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, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Kosovo Pension Savings Trust – Operations for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on April 14, 2015.

Deloitte Kosova Sh.p.k.

Pristina, Kosovo
April 12, 2016

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	NOTES	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
ASSETS		EUR	EUR
Current Assets			
Cash in hand and at banks	4	374,974	1,293,109
Held to maturity investments	5	4,925,174	4,897,475
Account receivables	6	615,766	406,516
Prepaid expenses		40,448	20,479
		5,956,362	6,617,579
Fixed Assets			
Property, plant and equipment	7	91,180	146,182
Intangible assets	8	123,752	193,236
		214,932	339,418
TOTAL ASSETS		6,171,294	6,956,997
LIABILITIES			
Current Liabilities			
Accounts payable	9	931,480	870,638
		931,480	870,638
Net assets attributable to KPST Operations		5,239,814	6,086,359

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 12, 2016.



Prof. Dr. Ymer Havolli
Chairperson of the Board



Mr. Adrian Zalli
Managing Director




Mr. Vërshim Hatipi
Deputy Director - Finance and IT

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
INCOME		EUR	EUR
Fees charged on pension assets	11	5,819,478	5,269,319
Other income	12	114,233	273,510
TOTAL INCOME		5,933,711	5,542,829
EXPENSES			
Investment expenses			
Open-end vehicle net fees	13	(4,423,748)	(3,039,313)
CBK transfer and maintenance charges		(9,138)	(53,244)
Brokerage, custody and pledge expenses		(9,887)	(11,487)
		(4,442,773)	(3,104,044)
Operational expenses			
Staff costs	14	(574,068)	(521,541)
Governing Board expenses	15	(157,403)	(177,863)
Account statements and correspondence		(170,387)	(300,707)
Office operating expenses		(82,664)	(82,631)
Public education and advertising		(41,479)	(33,824)
Software maintenance		(44,812)	(54,525)
CBK supervision charges		(6,606)	(7,755)
Depreciation and amortisation	7-8	(151,399)	(144,257)
Professional services/Contractors/Consultants	16	(8,583)	(9,952)
External audit		(9,900)	(9,900)
Disaster recovery - rent and other associated costs		(6,650)	(17,177)
Meetings and conferences		(1,791)	(937)
Communication		(8,705)	(11,662)
Bank charges		(8,141)	(8,440)
Other costs		(9,895)	(16,135)
		(1,282,483)	(1,397,306)
TOTAL EXPENSES		(5,725,256)	(4,501,350)
NET SURPLUS FOR THE YEAR		208,455	1,041,479

	NOTES	SURPLUS	RESERVE	TOTAL
		EUR	EUR	EUR
AS AT JANUARY 1, 2014		47,380	5,000,000	5,047,380
Net surplus for the year		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
Net surplus for the year	10	208,455	--	208,455
Return of surplus to KPST-PA		(1,055,000)	--	(1,055,000)
AS AT DECEMBER 31, 2015		239,814	5,000,000	5,239,814

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		208,455	1,041,479
<i>Adjustments for:</i>			
Depreciation and amortisation	7-8	151,399	144,257
		359,854	1,185,736
<i>Changes in operating assets and liabilities:</i>			
Increase in accounts payable / accruals		60,842	241,096
(Increase) in accounts receivable / prepaid expenses		(229,219)	(31,471)
NET CASH FLOWS FROM OPERATING ACTIVITIES		191,477	1,395,361
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(22,564)	(58,624)
Purchase of software and licenses		(4,349)	(31,794)
(Increase) in held to maturity investments		(27,699)	(897,475)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(54,612)	(987,893)
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of surplus to KPST-PA		(1,055,000)	--
Donations		--	(2,500)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,055,000)	(2,500)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of the year		1,293,109	888,141
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	374,974	1,293,109

The accompanying notes from 1 to 17 form an integral part of these financial statements.

1. GENERAL

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

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

These financial statements are for KPST Operations (or “KPST-O”), which is the entity managing and administering contributors’ pension savings (pension assets). The financial statements for KPST Pension Assets (or “KPST-PA”) are prepared separately to the financial statements of the entity.

A Director and 25 permanent staff members managed the day to day operations of the KPST during 2015 (2014: 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

ADOPTION OF NEW AND REVISED STANDARDS

i) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the KPST-O’s accounting policies.

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

ii) 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" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) ;
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018) ;
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded) ;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017) ;
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017) ;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016) ;
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

KPST-0 has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Trust anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements in the period of initial application.

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 up to the maximum of 5 years.

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.

3.5 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 INVESTMENTS

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

Held to maturity investments

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

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

Available for sale investments

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

Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;

Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices); and

Level 3: incoming data on the asset or liability that are not based on data available for market observing.

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

Impairment of financial assets

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

3.7 CASH AND CASH EQUIVALENTS

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

3.8 TAXATION

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 PENSION COSTS

KPST-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 2015. 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.

3.11 FINANCIAL RISK MANAGEMENT

3.11.1 CREDIT RISK

Credit risk is the risk of financial loss to KPST-0 if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from KPST-0 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-0. The table is prepared on the basis of undiscounted cash flows.

	AS AT DECEMBER 31 2015		AS AT DECEMBER 31 2014	
	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	374,974	--	1,293,109	--
Held to maturity investments	4,925,174	--	4,897,475	--
Account receivables	615,766	--	406,516	--
	5,915,914	--	6,597,100	--
FINANCIAL LIABILITIES				
Account payables	931,480	--	870,638	--
	931,480	--	870,638	--
MATURITY GAP	4,984,434	--	5,726,462	--

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.

	AS AT DECEMBER 31, 2015		AS AT DECEMBER 31, 2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	EUR	EUR	EUR	EUR
INTEREST-BEARING				
FIXED RATE				
Held to maturity investments	4,925,174	--	4,897,475	--
TOTAL	4,925,174	--	4,897,475	--

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, 2015 and 2014.

	AS AT DECEMBER 31, 2015		AS AT DECEMBER 31, 2014	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	EUR	EUR	EUR	EUR
FINANCIAL ASSETS				
Cash in hand and at banks	374,974	374,974	1,293,109	1,293,109
Held to maturity investments	4,925,174	4,926,185	4,897,475	4,897,475
Account receivables	615,766	615,766	406,516	406,516
	5,915,914	5,916,925	6,597,100	6,597,100
FINANCIAL LIABILITIES				
Account payables	931,480	931,480	870,638	870,638
	931,480	931,480	870,638	870,638

4. CASH IN HAND AND AT BANKS

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Raiffeisen Bank Kosovo - Current account	31,420	1,029,350
ProCredit Bank - Current account	342,955	134,279
NLB Prishtina - Current account	257	125,657
Raiffeisen Bank International (Austria) - Current account	--	3,414
Cash in hand	342	409
TOTAL CASH IN HAND AND AT BANKS	374,974	1,293,109

5. HELD TO MATURITY INVESTMENTS

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
As at January 1	4,897,475	--
PLACEMENTS		
KV1105640563 T-Bill Mat. 09.12.2015 @2.20%	--	4,891,198
KV1107540754 T-Bill Mat. 07.12.2016 @1.60%	4,920,399	--
	4,920,399	4,891,198
INTEREST		
KV1105640563 T-Bill Mat. 09.12.2015 @2.20%	102,525	6,277
KV1107540754 T-Bill Mat. 07.12.2016 @1.60%	4,775	--
	107,300	6,277
REDEMPTIONS (UPON MATURITY)		
KV1105640563 T-Bill Mat. 09.12.2015 @2.20%	(5,000,000)	--
As at December 31	4,925,174	4,897,475

During the year ended December 31, 2015, the held-to-maturity investments of KPST-O consisted only of Kosovo Treasury securities, which are not yet rated, and which had an original maturity of less than 1 year. The balance of such investments on reporting date was EUR 4,925,174, and it is the intention of the Governing Board to hold them to maturity.

6. ACCOUNT RECEIVABLES

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Receivables from KPST-PA	277,050	366,825
Rebates receivable from open-end funds	338,716	37,965
Other account receivables	--	1,726
TOTAL ACCOUNT RECEIVABLES	615,766	406,516

As at December 31, 2015 the balance of receivables from KPST-PA amounting EUR 277,050 (2014: EUR 366,825) relates to the fees charged on participants' accounts amounting EUR 237,612 and re-invested rebates amounting EUR 38,987 (2014: EUR 319,203 and EUR nil, respectively), as well as differences from refunds of erroneous contributions amounting EUR 451 (2014: EUR 47,622); 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, 2014	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
Additions for the year	15,083	2,196	5,285	--	22,564
Disposals for the year	(10,104)	(1,042)	(2,355)	--	(13,501)
AS AT DECEMBER 31, 2015	286,880	21,870	70,931	53,365	433,046
ACCUMULATED DEPRECIATION					
AS AT JANUARY 1, 2014	(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)
Charge for the year	(63,008)	(507)	(10,219)	(3,832)	(77,566)
Eliminated through disposals	10,104	1,042	2,355	-	13,501
AS AT DECEMBER 31, 2015	(227,565)	(18,718)	(42,218)	(53,365)	(341,866)
NET BOOK VALUE					
AS AT DECEMBER 31, 2015	59,315	3,152	28,713	--	91,180
AS AT DECEMBER 31, 2014	107,240	1,463	33,647	3,832	146,182

As at 31 December 2015 and 2014, there are no encumbrances over KPST-0 assets.

8. INTANGIBLE ASSETS

SOFTWARE AND LICENSES

EUR

COST

AS AT JANUARY 1, 2014	339,798
Additions for the year	31,794
Disposals for the year	--
AS AT DECEMBER 31, 2014	371,592
Additions for the year	4,349
Disposals for the year	(3,110)
AS AT DECEMBER 31, 2015	372,831

ACCUMULATED AMORTISATION

AS AT JANUARY 1, 2014	(106,107)
Charge for the year	(72,249)
Eliminated through disposals	--
AS AT DECEMBER 31, 2014	(178,356)
Charge for the year	(73,833)
Eliminated through disposals	3,110
AS AT DECEMBER 31, 2015	(249,079)

NET BOOK VALUE

AS AT DECEMBER 31, 2015	123,752
AS AT DECEMBER 31, 2014	193,236

9. ACCOUNTS PAYABLE

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Payables for investment activities	716,681	675,289
Accruals for printing and mailing member account statements	146,598	147,553
Other accounts payable	68,201	47,796
Total accounts payable	931,480	870,638

As at December 31, 2015 the balance of payables for investment activities included management fees invoiced by managers of open-end vehicles in the amount of EUR 715,938 as well as brokerage and custody fees in the amount of EUR 743 (2014: EUR 673,837 and EUR 1,452 respectively).

10. SURPLUS

	OPERATIONAL ACTIVITIES	INVESTMENT ACTIVITIES	TOTAL
	EUR	EUR	EUR
INCOME FOR THE YEAR 2015			
Income from fees charged	1,101,069	4,718,409	5,819,478
Non-fee income	112,824	1,409	114,233
	1,213,893	4,719,818	5,933,711
Expenses for the year 2015	(1,282,483)	(4,442,773)	(5,725,256)
SURPLUS / (DEFICIT) FOR THE YEAR 2015	(68,590)	277,045	208,455
Surplus at the start of the year	204,600	881,759	1,086,359
Return of surplus to KPST-PA	--	(1,055,000)	(1,055,000)
SURPLUS AT THE END OF THE YEAR	136,010	103,804	239,814

During 2015 the Governing Board decided to refund EUR 1,055,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 239,814 as of December 31, 2015.

11. FEES CHARGED ON PENSION ASSETS

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Fees charged for investment activities	4,718,409	3,976,844
Fees charged for operational activities	1,101,069	1,292,475
TOTAL FEES CHARGED ON PENSION ASSETS	5,819,478	5,269,319

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, 2015 amounted EUR 5,819,478 (2014: EUR 5,269,319).

For the year ending December 31, 2015 fees charged in accordance with Law Nr. 04/L-168 were: a) from January 1, 2015 up to March 12, 2015: 0.400% p.a. for investment activities and 0.130% p.a. for operational activities; b) from March 13, 2015 up to December 31, 2015: 0.400% p.a. for investment activities and 0.085% p.a. for operational activities. Fees are approved by the Assembly of the Republic of Kosovo.

12. OTHER INCOME

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Interest income on held to maturity investments	107,300	93,892
Differences from refunds of erroneous contributions	5,144	164,733
Other income from operational activities	380	5,926
Other income from investment activities	1,409	8,959
TOTAL OTHER INCOME	114,233	273,510

13. OPEN-END VEHICLE NET FEES

	YEAR ENDED DECEMBER 31 2015			YEAR ENDED DECEMBER 31 2014		
	GROSS FEE	RABATE	NET FEE	GROSS FEE	RABATE	NET FEE
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard - GSIF	884,512	(424,566)	459,946	813,537	(390,498)	423,039
BNY Mellon - RRF	1,033,227	--	1,033,227	868,854	--	868,854
AXA – GILB	357,110	(44,635)	312,475	246,174	(30,762)	215,412
Schroders - SISF	558,529	--	558,529	508,375	--	508,375
Aquila - RP7	143,518	--	143,518	231,565	--	231,565
ECM – DEC	--	--	--	101,033	--	101,033
Nordea 1 - GSEF	241,760	--	241,760	81,464	--	81,464
Nordea 1 – SRF	676,803	--	676,803	232,940	--	232,940
KBI - IDEF	431,497	(19,186)	412,311	152,493	--	152,493
AXA - WFOI	154,565	--	154,565	61,130	--	61,130
Pictet - HDS	209,272	--	209,272	76,744	--	76,744
Tobam - ABWEF	515,590	(294,248)	221,342	86,264	--	86,264
TOTAL OPEN-END VEHICLE NET FEES	5,206,383	(782,635)	4,423,748	3,460,573	(421,260)	3,039,313

14. STAFF COSTS

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Staff salaries	418,946	404,895
Cost of the Collective Agreement	32,811	--
Overtime, bonuses and retention fees	46,830	46,109
Employer's pension contributions	46,340	42,984
Staff training	8,219	4,613
Health insurance	7,363	7,930
Travel and other staff expenses	13,559	15,010
TOTAL STAFF COSTS	574,068	521,541

15. GOVERNING BOARD EXPENSES

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Trustees honoraria	84,153	99,799
Fiduciary Insurance	38,210	26,677
Meetings (Travel/Hotel/Other costs)	29,126	45,598
Employer's pension contributions	5,914	5,789
TOTAL GOVERNING BOARD EXPENSES	157,403	177,863

16. PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Design services	5,759	6,001
Translation and proofreading services	2,649	3,742
Notary/Legal services	175	209
TOTAL PROFESSIONAL SERVICES/CONSULTANTS/CONTRACTORS	8,583	9,952

17. EVENTS AFTER THE REPORTING PERIOD

For the first two months of 2016 the KPST-0 has following financial data based on unaudited financial statements for those two months.

**AS AT
29 FEBRUARY
2016**

EUR

Total assets	5,950,236
Current liabilities	(642,750)
NET ASSETS ATTRIBUTABLE TO KPST OPERATIONS	5,307,486

**FOR THE PERIOD
JANUARY 1 TO
FEBRUARY 29
2016**

EUR

Total income	970,301
Total expenses	(902,629)
NET SURPLUS	67,672

There are no additional subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2015.



KOSOVO PENSION SAVINGS TRUST

PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

094 - 095	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 - 134	Notes to the financial statements

INDEPENDENT AUDITORS' REPORT

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, 2015, 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 the 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, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Other Matter

The financial statements of Kosovo Pension Savings Trust –Pension Assets for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 14, 2015, with an emphasis of matter paragraph drawing attention to the note of Individual participants' accounts which describes certain receipts from participants that were not attributed to the individual participant's accounts.

Deloitte Kosovo N.p.k.

Pristina, Kosovo
April 12, 2016

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	NOTES	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
		EUR	EUR
ASSETS			
Cash at bank	4	50,906,018	9,938,218
Contribution receivables	5	8,758,404	7,984,158
Available for sale investments	6	1,084,732,950	1,023,619,618
Held to maturity investments	7	95,654,197	54,701,478
		1,240,051,569	1,096,243,472
LIABILITIES			
Liabilities towards KPST-O	8	277,050	366,825
Liabilities for repurchased shares	9	1,666,758	118,203
Non-contributions	10	16,029	13,688
		1,959,837	498,716
NET PARTICIPANTS' ASSETS		1,238,091,732	1,095,744,756

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 12, 2016.



Prof. Dr. Ymer Havolli
Chairperson of the Board



Mr. Adrian Zalli
Managing Director




Mr. Vërshim Hatipi
Deputy Director – Finance and IT

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

097

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
		EUR	EUR
INCOME			
Revaluation of available for sale investments – net	11	26,712,800	65,791,957
Interest income from held to maturity investments	12	1,676,846	952,061
Other income	13	1,165,138	--
		29,554,784	66,744,018
EXPENSES			
Fees charged on participants' accounts	14	(5,819,478)	(5,269,319)
		(5,819,478)	(5,269,319)
INCREASE IN NET PARTICIPANTS' ASSETS		23,735,306	61,474,699

KOSOVO PENSION SAVINGS TRUST – PENSION ASSETS
STATEMENT OF CHANGES IN NET PARTICIPANTS' ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	PARTICIPANTS' CONTRIBUTIONS	RETAINED EARNINGS	TOTAL
	EUR	EUR	EUR
AS AT JANUARY 1, 2014	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
Contributions	138,293,862	--	138,293,862
Repurchases due to withdrawal of savings	(15,781,882)	(3,517,561)	(19,299,443)
Repurchases due to refunds	(377,605)	(5,144)	(382,749)
Increase in net participants' assets	--	23,735,306	23,735,306
AS AT DECEMBER 31, 2015	1,043,128,879	194,962,853	1,238,091,732

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

099

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
		EUR	EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net participants' assets		23,735,306	61,474,699
<i>Movement of working capital:</i>			
Increase / (Decrease) in liabilities towards KPST-0	8	(42,604)	26,846
Increase in liabilities for non-contributions	10	2,341	354
NET CASH FLOWS FROM OPERATING ACTIVITIES		23,695,043	61,501,899
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) in available for sale investments		(61,113,332)	(372,786,997)
(Increase) in held to maturity investments		(40,952,719)	(1,578,573)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(102,066,051)	(374,365,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Participants' contributions received		137,519,615	128,748,014
Withdrawal of savings		(17,786,861)	(14,317,568)
Refunds		(393,946)	(1,275,460)
NET CASH FLOWS FROM FINANCING ACTIVITIES		119,338,808	113,154,986
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		40,967,800	(199,708,685)
Cash and cash equivalents at the start of the year		9,938,218	209,646,903
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	50,906,018	9,938,218

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.

These financial statements are for KPST Pension Assets (or “KPST-PA”) which consist of contributors’ pension savings (pension assets). The financial statements for KPST Operations (or “KPST-O”), which is the entity managing and administering contributors’ pension savings (pension assets), are prepared separately to the financial statements for pension assets.

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 available for sale financial assets. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-PA. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

ADOPTION OF NEW AND REVISED STANDARDS

i) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the KPST-PA’s accounting policies.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

ii) 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”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) ;
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018) ;
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded) ;
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017) ;
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017) ;
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016) ;
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

KPST-PA has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. KPST-PA anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements in the period of initial application.

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 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.

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 DECEMBER 31 2015	AS AT DECEMBER 31 2014
		EUR	EUR
Available for sale investments	1	1,084,732,950	1,023,619,618

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2015 and 2014.

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: 57%; Multi-asset class vehicles: 35%; Pure debt securities vehicles including Kosovo treasury bonds: 34%; and money markets and Kosovo treasury bills: 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: 60%; Risk targeted/Risk managed/ Absolute return vehicles: 46%; and Pure income vehicles: 23%). 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 and term deposits 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, 2014 and 2015.

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 2015		AS AT DECEMBER 31 2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	EUR	EUR	EUR	EUR
FIXED RATE				
Held to maturity investments	95,654,197	--	54,701,478	--
TOTAL	95,654,197	--	54,701,478	--

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 average monthly redemptions from KPST-PA through withdrawals of savings and refunds for the year ended December 31, 2015 amounted to EUR 1,640,183 (2014: EUR 1,189,903). Average monthly incoming contributions for the year amounting EUR 11,459,968 (2014: EUR 10,738,578) 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 and term deposits with banks have an original maturity of up to five years.

The table below presents the remaining contractual maturities of financial assets and liabilities of KPST-PA.

	AS AT DECEMBER 31, 2015		AS AT DECEMBER 31, 2014	
	CURRENT UP TO 1 YEAR	NON-CURRENT 1-5 YEARS	CURRENT UP TO 1 YEAR	NON-CURRENT 1-5 YEARS
	EUR	EUR	EUR	EUR
FINANCIAL ASSETS				
Cash at bank	50,906,018	--	9,938,218	--
Held to maturity investments	55,999,981	39,654,216	34,123,521	20,577,957
Contribution receivables	8,758,404	--	7,984,158	--
	115,664,403	39,654,216	52,045,897	20,577,957
FINANCIAL LIABILITIES				
Account payables	1,959,837	--	498,716	--
	1,959,837	--	498,716	--
MATURITY GAP	113,704,566	39,654,216	51,547,181	20,577,957

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 (and indirect holdings through Open-end vehicles), of KPST-PA assets as at December 31, 2015:

DESCRIPTION	APPLICABLE RATINGS	PERCENTAGE OF KPST ASSETS
Prime	AAA	17.9%
High	AA+, AA, AA-	10.4%
Upper medium	A+, A, A-	3.2%
Lower medium	BBB+, BBB, BBB-	2.5%
Non-investment speculative	BB+, BB, BB-	0.8%
Highly speculative	B+, B, B-	0.4%
Substantial risk	CCC+	--
Extremely speculative	CCC	--
In default with little prospect of recovery	CCC-, CC, C	0.0%
In default	D	0.0%
TOTAL		35.2%

3.8.5 PRICE RISK

Despite the moderately reduced sensitivity 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 66,532,108 or decreased by EUR 66,532,109 respectively (2014: increased by EUR 51,186,216 or decreased by EUR 51,175,746 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 749,998,176, or 60.9% of KPST-PA assets (2014: EUR 725,587,238 or 66.7%). 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 37,504,629 or decrease by EUR 37,495,189 respectively (2014: increase by EUR 36,279,889 or decrease by EUR 36,278,835).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8.6 EXPOSURE THROUGH INDIRECT HOLDINGS

The 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, 2015 was as follows:

Currency - USD: 56.0%; EUR: 27.0%; GBP: 7.9%; JPY: 1.6%; AUD: 1.9%; DKK: 1.6%; CAD: 1.4%; CHF: 1.2%; Other: 1.4%.

Asset class - Equities: 60.9%; Treasury debt: 23.2%; Corporate debt: 12.0%; Money markets: 6.4%; Net derivatives: -2.5%. The main risks to which Open-end vehicles themselves were exposed to as at December 31, 2015 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.
Tobam - ABWEF	Price risk; Counterparty risk; Currency risk; Discretionary management 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 - IDEF	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.

Full set of risks exposed to by each of these funds can be obtained from each respective fund prospectus.

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 2015	AS AT DECEMBER 31 2014
	EUR	EUR
At Central Bank of Republic of Kosovo	50,906,018	9,938,218
TOTAL CASH AT BANK	50,906,018	9,938,218

During 2014 and 2015 no interest was offered on the KPST-PA cash account with the Central Bank of Kosovo.

5. CONTRIBUTIONS RECEIVABLE

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Contributions receivable	8,758,404	7,984,158
TOTAL CONTRIBUTIONS RECEIVABLE	8,758,404	7,984,158

Contribution receivables relate to contributions received in collection account up to the 18th of the following month (2014: up to the 18th) and not unitised on reporting date.

6. AVAILABLE FOR SALE INVESTMENTS

	NOTES	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
		EUR	EUR
Vanguard - GSIF	6.1	348,579,355	343,025,434
BNY Mellon - RRF	6.2	170,643,379	166,159,683
AXA - GILB	6.3	95,816,363	71,926,649
Schroders - SISF	6.4	111,573,428	114,516,911
Aquila - RP7	6.5	--	28,803,675
Nordea 1 - GSEF	6.6	57,695,077	50,304,385
Nordea 1 - SRF	6.7	145,649,845	100,812,922
KBI - IDEF	6.8	58,909,446	54,922,848
AXA - WFOI	6.9	27,877,091	26,287,722
Pictet - HDS	6.10	32,956,868	30,197,501
Tobam - ABWEF	6.11	35,032,098	36,661,888
TOTAL AVAILABLE FOR SALE INVESTMENTS		1,084,732,950	1,023,619,618

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	22,705,338	343,025,434	22,678,696	313,444,532
Re-investment of rebates	27,110	423,931	26,642	383,016
Revaluation - Increase	--	6,014,502	--	30,011,423
Fees withheld	--	(884,512)	--	(813,537)
AS AT DECEMBER 31	22,732,448	348,579,355	22,705,338	343,025,434

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, 2015 was 1.50% p.a. (2014: 9.31% p.a.).

The management fee is calculated daily, at an annualised rate of 0.25% of assets (2014: 0.25%). The fund gives out a 0.12% rebate on the management fee (2014: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2014: 0.13% of assets p.a.). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.2 BNY MELLON - REAL RETURN FUND (ISIN IE00B504KX99)

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	138,385,677	166,159,683	117,521,047	133,139,594
New investments during the year	--	--	20,864,630	25,000,000
Revaluation - Increase	--	4,483,696	--	8,020,089
AS AT DECEMBER 31	138,385,677	170,643,379	138,385,677	166,159,683

The BNY Mellon Real Return 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, 2015 was 2.70% p.a. (2014: 5.98% p.a.).

The management fee was calculated daily at an annualised rate of 0.60% of assets (2014: 0.60% 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, 2015 amount to EUR 1,033,227 (2014: EUR 868,854). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	497,762	71,926,649	433,540	57,478,701
New investments during the year	169,976	25,000,000	63,995	9,200,000
Re-investment of rebates	298	43,585	227	31,648
Revaluation - Increase / (Decrease)	--	(796,761)	--	5,462,474
Fees withheld	--	(357,110)	--	(246,174)
AS AT DECEMBER 31	668,036	95,816,363	497,762	71,926,649

Global Inflation Linked Bond fund of AXA, a leading global asset manager, 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, 2015 was -0.74% p.a. (2014: 8.99% p.a.).

The management fee is calculated daily at an annualised rate of 0.40% of assets (2014: 0.40%); however, 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 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	734,036	114,516,911	639,039	96,379,844
New investments during the year	--	--	94,997	15,000,000
Revaluation – Increase / (Decrease)	--	(2,943,483)	--	3,137,067
AS AT DECEMBER 31	734,036	111,573,428	734,036	114,516,911

Schroders International Strategic Bond fund is a Luxemburg 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, 2015 was -2.57% p.a. (2014: 3.44% p.a.).

The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2014: 0.50%), and was paid separately through an invoice, i.e. not reducing the net asset value. However, for the value of assets in excess of EUR 100 million, the annualised fee rate is 0.45% of assets. Total fees charged by the fund manager for the year ended December 31, 2015 amount to EUR 558,529 (2014: EUR 508,375). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	266,152	28,803,675	266,152	26,986,630
Revaluation - Increase	--	44,541	--	1,817,045
Redemptions	(266,152)	(28,848,216)	--	--
AS AT DECEMBER 31	--	--	266,152	28,803,675

Aquila - AC Risk Parity 7 fund of Alceda Fund Management 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 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, same as for the year ended December 31, 2014. Fees were 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, 2015 amount to EUR 143,518 (2014: EUR 231,565). In June 2015 the Governing Board redeemed in full its remaining investments in the fund thereby realising a gain of EUR 1,479,231.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	2,648,993	50,304,385	--	--
New investments during the year	--	--	2,648,993	45,000,000
Revaluation - Increase	--	7,390,692	--	5,304,385
AS AT DECEMBER 31	2,648,993	57,695,077	2,648,993	50,304,385

Nordea 1 - Global Stable Equity fund 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 for the year ended December 31, 2015 was 14.69% p.a. (June 11 – December 31, 2014: 16.15% p.a.).

The management fee is calculated daily at an annualised rate of: 0.43% 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, 2015 amount to EUR 241,760 (2014: EUR 81,464). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	6,124,722	100,812,922	--	--
New investments during the year	2,343,292	40,000,000	6,124,722	96,000,000
Revaluation - Increase	--	4,836,923	--	4,812,922
AS AT DECEMBER 31	8,468,014	145,649,845	6,124,722	100,812,922

Nordea 1 - Stable Return fund 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 for the year ended December 31, 2015 was 4.50% p.a. (June 11 – December 31, 2014: 7.09% p.a.).

The management fee is calculated daily at an annualised rate of: 0.56% 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, 2015 amount to EUR 676,803 (2014: EUR 232,940). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	3,868,079	54,922,848	--	--
New investments during the year	--	--	3,868,079	51,000,000
Re-investment of rebates	924	14,367	--	--
Revaluation - Increase	--	4,403,728	--	4,075,341
Fees withheld	--	(431,497)	--	(152,493)
AS AT DECEMBER 31	3,869,003	58,909,446	3,868,079	54,922,848

Kleinwort Benson Investors – Institutional Developed Equity Fund, which changed its name during 2015 from Kleinwort Benson Investors – Institutional Dividend Plus Developed Equity, 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 for the year ended December 31, 2015 was 7.23% p.a. (July 3 – December 31, 2014: 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 (2014: 0.73%). Starting from January 1, 2015 for values of assets in excess of EUR 40,000,000 the fund gives out a 0.1% of assets p.a. as rebate on the management fee. There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	209,664	26,287,722	--	--
New investments during the year	49	6,667	209,664	26,000,000
Revaluation - Increase	--	1,737,267	--	348,852
Fees withheld	--	(154,565)	--	(61,130)
AS AT DECEMBER 31	209,713	27,877,091	209,664	26,287,722

AXA – Optimal Income fund 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 for the year ended December 31, 2015 was 6.02% p.a. (July 11 – December 31, 2014: 1.24% p.a.).

The management fee is calculated daily at an annualised rate of: 0.55% of assets (2014: 0.55%), and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	202,003	30,197,501	--	--
New investments during the year	--	--	202,003	30,000,000
Revaluation - Increase	--	2,759,367	--	197,501
AS AT DECEMBER 31	202,003	32,956,868	202,003	30,197,501

Pictet – High Dividend Selection fund 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 for the year ended December 31, 2015 was 9.14% p.a. (July 14 – December 31, 2014: 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, 2015 amount to EUR 209,272 (2014: EUR 76,744). There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

	2015		2014	
	UNITS	EUR	UNITS	EUR
AS AT JANUARY 1	2,493	36,661,888	--	--
New investments during the year	6	103,472	2,493	35,000,000
Revaluation – Increase / (Decrease)	--	(1,217,672)	--	1,748,152
Fees withheld	--	(515,590)	--	(86,264)
AS AT DECEMBER 31	2,499	35,032,098	2,493	36,661,888

Tobam – Anti-benchmark World Equity fund 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 for the year ended December 31, 2015 was -4.70% p.a. (July 16 – December 31, 2014: 4.50% p.a.).

The management and other fees are calculated daily at an annualised rate of 1.40% of assets, 0.80% of which is given as a rebate (2014: 0.60% of assets and no rebate) and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2015.

6. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.12 OPEN-END VEHICLE FEES AND REBATES

		YEAR ENDED DECEMBER 31 2015			YEAR ENDED DECEMBER 31 2014		
		GROSS FEE	RABATE	NET FEE	GROSS FEE	RABATE	NET FEE
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	884,512	(424,566)	459,946	813,537	(390,498)	423,039
BNY Mellon – RRF	6.2	1,033,227	--	1,033,227	868,854	--	868,854
AXA – GILB	6.3	357,110	(44,635)	312,475	246,174	(30,762)	215,412
Schroders – SISF	6.4	558,529	--	558,529	508,375	--	508,375
Aquila – RP7	6.5	143,518	--	143,518	231,565	--	231,565
Nordea 1 - GSEF	6.6	241,760	--	241,760	81,464	--	81,464
Nordea 1 - SRF	6.7	676,803	--	676,803	232,940	--	232,940
KBI - IDEF	6.8	431,497	(19,186)	412,311	152,493	--	152,493
AXA - WFOI	6.9	154,565	--	154,565	61,130	--	61,130
Pictet - HDS	6.10	209,272	--	209,272	76,744	--	76,744
Tobam - ABWEF	6.11	515,590	(294,248)	221,342	86,264	--	86,264
ECM – DEC	--	--	--	--	101,033	--	101,033
TOTAL OPEN-END VEHICLE FEES AND REBATES		5,206,383	(782,635)	4,423,748	3,460,573	(421,260)	3,039,313

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

7. HELD TO MATURITY INVESTMENTS

	NOTES	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
		EUR	EUR
Banka Kombëtare Tregtare – Dega Kosovë	7.1	3,009,082	--
Banka për Biznes	7.2	3,008,014	--
Kosovo Treasury debt instruments	7.3	89,637,101	54,701,478
TOTAL HELD TO MATURITY INVESTMENTS		95,654,197	54,701,478

As of reporting date, the value of term deposits in local commercial banks amounted EUR 6,017,096 (2014: nil). The combined interest accrued on term deposits for the year ended December 31, 2015 was EUR 17,096 (2014: nil).

7.1 BANKA KOMBËTARE TREGTARE - DEGA KOSOVË

	2015	2014
	EUR	EUR
AS AT JANUARY 1	--	--
New placements	3,000,000	--
Interest accrued	9,082	--
AS AT DECEMBER 31	3,009,082	--

On 28 October 2015 KPST-PA placed EUR 3,000,000 in term deposit with Banka Kombëtare Tregtare – Dega Kosovë, with an interest rate of 1.7% and an original maturity of one year.

7.2 BANKA PËR BIZNES

	2015	2014
	EUR	EUR
AS AT JANUARY 1	--	--
New placements	3,000,000	--
Interest accrued	8,014	--
AS AT DECEMBER 31	3,008,014	--

On 28 October 2015 KPST-PA placed EUR 3,000,000 in term deposit with Banka për Biznes – a commercial bank in operating in the Republic of Kosovo - with an interest rate of 1.5% and an original maturity of one year.

7. HELD TO MATURITY INVESTMENTS (CONTINUED)

7.3 KOSOVO TREASURY DEBT INSTRUMENTS

2015

ISIN	RATE	MATURITY	AS AT	PLACEMENTS	INTEREST	MATURED /	AS AT
			JANUARY 1		GAINED	COUPONS	DECEMBER 31
			EUR	EUR	EUR	EUR	EUR
KV1104340433	1.34	22.04.2015	12,449,874	--	50,126	(12,500,000)	--
KV1104540457	1.40	17.06.2015	9,339,215	--	60,785	(9,400,000)	--
KV1204610466	2.60	30.06.2016	6,009,295	--	149,976	(156,000)	6,003,271
KV1104940495	2.10	19.08.2015	12,334,432	--	165,568	(12,500,000)	--
KV1205110510	2.90	30.09.2016	7,050,916	--	202,928	(203,000)	7,050,844
KV1205510558	2.90	01.12.2016	7,517,746	--	217,199	(217,500)	7,517,445
KV1105820589	2.00	22.07.2015	--	9,513,805	96,195	(9,610,000)	--
KV1105940594	2.00	10.02.2016	--	9,801,786	175,689	--	9,977,475
KV1206110619	2.80	31.03.2017	--	347,979	8,110	(4,900)	351,189
KV1106440648	1.50	18.05.2016	--	9,850,599	92,084	--	9,942,683
KV1206520656	3.20	29.05.2018	--	6,992,487	134,186	(114,415)	7,012,258
KV1206710671	2.80	30.06.2017	--	10,000,956	140,955	(140,955)	10,000,956
KV1207130716	4.90	31.08.2020	--	4,208,024	76,932	--	4,284,956
KV1207210725	2.80	30.09.2017	--	10,000,000	70,235	--	10,070,235
KV1107420749	1.60	20.04.2016	--	4,404,374	13,864	--	4,418,238
KV1107540754	1.60	07.12.2016	--	5,068,011	4,918	--	5,072,929
KV1207610763	2.60	31.12.2017	--	7,934,622	--	--	7,934,622
			54,701,478	78,122,643	1,659,750	(44,846,770)	89,637,101

7. HELD TO MATURITY INVESTMENTS (CONTINUED)
7.3 KOSOVO TREASURY DEBT INSTRUMENTS (CONTINUED)

2014

ISIN	RATE	MATURITY	AS AT	PLACEMENTS	INTEREST	MATURED /	AS AT
			JANUARY 1		GAINED	COUPONS	DECEMBER 31
			EUR	EUR	EUR	EUR	EUR
KV1102140211	2.26	23.04.2015	11,727,484	--	82,516	(11,810,000)	--
KV1102820282	1.49	19.02.2015	9,979,422	--	20,578	(10,000,000)	--
KV1103020305	1.24	19.03.2015	1,725,390	--	4,610	(1,730,000)	--
KV1103240327	1.98	22.10.2015	14,760,760	--	239,240	(15,000,000)	--
KV1103420343	1.20	21.05.2015	14,929,849	--	70,151	(15,000,000)	--
KV1103720374	1.09	23.07.2015	--	17,791,846	98,154	(17,890,000)	--
KV1103920398	0.92	20.08.2015	--	3,364,309	15,691	(3,380,000)	--
KV1104340433	1.34	22.04.2016	--	12,337,826	112,048	--	12,449,874
KV1104540457	1.40	17.06.2016	--	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	19.08.2016	--	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

Kosovo Treasury debt instruments are not rated. It is the intention of the Governing Board to hold to maturity all its investments of KPST-PA assets in such instruments.

8. LIABILITIES TOWARDS KPST-0

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Fees charged on participants' accounts and rebates - payable	276,599	319,203
Difference from refunds of erroneous contributions - payable	451	47,622
TOTAL LIABILITIES TOWARDS KPST-0	277,050	366,825

As at December 31, 2015 the balance of payable fees amounting EUR 276,599 relates to KPST fees charged to the participants' accounts (EUR 237,612), and re-invested rebates payable (EUR: 38,987), which were not transferred to KPST-0 as of reporting date (December 31, 2014: EUR 319,203 all of it related to fees charged to participants' accounts).

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 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-0. As at December 31, 2015 the balance of payable differences from refunds was EUR 451 (December 31, 2014: EUR 47,622).

9. LIABILITIES FOR REPURCHASED SHARES

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Liabilities for refunds	154,176	118,203
Liabilities for the withdrawal of savings	1,512,582	--
TOTAL LIABILITIES FOR REPURCHASED SHARES	1,666,758	118,203

As at December 31, 2015 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 1,666,758 (2014: EUR 118,203).

10. NON-CONTRIBUTIONS

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Non-contributions	16,029	13,688
TOTAL NON-CONTRIBUTIONS	16,029	13,688

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, 2015 the balance of non-contributions not yet returned as of reporting date amounts to EUR 16,029 (2014: EUR 13,688).

11. REVALUATION OF AVAILABLE FOR SALE INVESTMENTS - NET

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
		EUR	EUR
Vanguard – GSIF	6.1	6,014,502	30,011,423
BNY Mellon – RRF	6.2	4,483,696	8,020,089
AXA – GILB	6.3	(796,761)	5,462,474
Schroders – SISF	6.4	(2,943,483)	3,137,067
Aquila – RP7	6.5	44,541	1,817,045
Nordea 1 - GSEF	6.6	7,390,692	5,304,385
Nordea 1 - SRF	6.7	4,836,923	4,812,922
KBI - IDEF	6.8	4,403,728	4,075,341
AXA - WFOI	6.9	1,737,267	348,852
Pictet - HDS	6.10	2,759,367	197,501
Tobam - ABWEF	6.11	(1,217,672)	1,748,152
ECM – DEC ¹	--	--	856,706
NET INCREASE ON REVALUATION OF AVAILABLE FOR SALE INVESTMENTS FOR THE YEAR		26,712,800	65,791,957

¹ During 2014 KPST redeemed in full its investment in ECM-DEC.

12. INTEREST INCOME FROM HELD TO MATURITY INVESTMENTS

	NOTES	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
		EUR	EUR
Term deposits	7	17,096	--
Kosovo Treasury debt instruments	7.3	1,659,750	952,061
TOTAL INTEREST INCOME FROM HELD TO MATURITY INVESTMENTS		1,676,846	952,061

13. OTHER INCOME

During the year ending December 31, 2015 the Governing Board of KPST had decided to refund EUR 1,055,000 to pension assets from the KPST-0 surplus for investment activities.

14. FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	YEAR ENDED DECEMBER 31 2015	YEAR ENDED DECEMBER 31 2014
	EUR	EUR
Fees for investment activities	4,718,409	3,976,844
Fees for operational activities	1,101,069	1,292,475
TOTAL FEES CHARGED ON PARTICIPANTS' ACCOUNTS	5,819,478	5,269,319

Fees are accrued on daily basis according to the formula:

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

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2015 amounted EUR 5,819,478 (2014: EUR 5,269,319).

For the year ending December 31, 2015 fees charged in accordance with Law Nr. 04/L-168 were: a) from January 1, 2015 up to March 12, 2015: 0.400% p.a. for investment activities and 0.130% p.a. for operational activities; b) from March 13, 2015 up to December 31, 2015: 0.400% p.a. for investment activities and 0.085% p.a. for operational activities. Fees are approved by the Assembly of the Republic of Kosovo.

15. INDIVIDUAL PARTICIPANTS' ACCOUNTS

	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	NUMBER OF ACCOUNTS	NUMBER OF ACCOUNTS
Accounts with no withdrawals of savings	478,982	452,011
Accounts with withdrawals of savings	28,981	24,548
TOTAL ACCOUNTS	507,963	476,559

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 507,963 contributors for which KPST has opened a pension savings account, 297,466 had contributions belonging to the year ended December 31, 2015 (December 31, 2014: 285,914 out of 476,559 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.

15. INDIVIDUAL PARTICIPANTS' ACCOUNTS (CONTINUED)

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 9,971,270 was not allocated to individual participants' accounts as at December 31, 2015 (December 31, 2014: EUR 10,795,420).

During 2015 KPST attributed the amount of EUR 1,107,600 to individual accounts from the amount outstanding as of December 31, 2014.

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

REASON	AS AT DECEMBER 31 2015	AS AT DECEMBER 31 2014
	EUR	EUR
Employers have not submitted contribution reports	8,872,705	9,711,948
Payment not posted to employer account	564,039	571,236
Invalid contributor ID and Name/Surname combination	534,526	512,236
TOTAL UN-ALLOCATED CONTRIBUTIONS	9,971,270	10,795,420
Cumulative contributions unitised up to reporting date	1,110,907,262	973,387,646
UN-ALLOCATED CONTRIBUTIONS AS PERCENTAGE OF UNITISED CONTRIBUTIONS UP TO REPORTING DATE	0.9%	1.1%

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 2015	AS AT DECEMBER 31 2014
	VALUE EUR	VALUE EUR
Net participants' assets	1,238,091,732	1,095,744,756
Contributions receivable not unitised on reporting date	5 (8,758,404)	(7,984,158)
NET UNITISED PARTICIPANTS' ASSETS	1,229,333,328	1,087,760,598
Balance of funds in individual accounts	1,216,855,182	1,074,489,956
PERCENTAGE OF NET UNITISED PARTICIPANTS' ASSETS IN INDIVIDUAL ACCOUNTS	99.0%	98.8%

16. PHASED WITHDRAWAL BENEFIT PAYMENTS

As per the Rule for the withdrawal of pension savings, amended by CBK in November 2014 and implemented by KPST in January 2015, participants retiring with balances above the threshold of EUR 2,250 in their KPST accounts, must withdraw their savings in phases but have the option to receive 20% of their balance in a lump-sum payment (2014: threshold of EUR 2,000 and no option to receive any portion of their balance in a lump-sum payment). Participants receive monthly payments amounting 1% of the balance of their account upon retirement from KPST or EUR 150, whichever is greater. The phased withdrawal rules are conditional until such time as annuities shall be available in Kosovo. Upon retirement the balance of participants' KPST account, minus the portion received in lump-sum, 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 the threshold get their proceeds in a lump-sum payment.

17. STATEMENT OF SHARE MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	NOTES	2015	2014
		#	#
AS AT JANUARY 1		844,608,178	753,650,392
Shares issued for received contributions		103,533,820	103,569,706
Shares redeemed through withdrawal of savings		[14,499,644]	[11,517,186]
Shares redeemed through refunds		[288,382]	[1,094,734]
AS AT DECEMBER 31		933,353,972	844,608,178
Net unitised participants' assets	15	1,229,333,328	1,087,760,598
NAV PER SHARE ON REPORTING DATE		EUR 1.3171	EUR 1.2879

18. EVENTS AFTER THE REPORTING PERIOD

For the first two months of 2016 the KPST-PA has the following financial data based on unaudited financial statements for those two months.

**AS AT
FEBRUARY 29
2016**

EUR

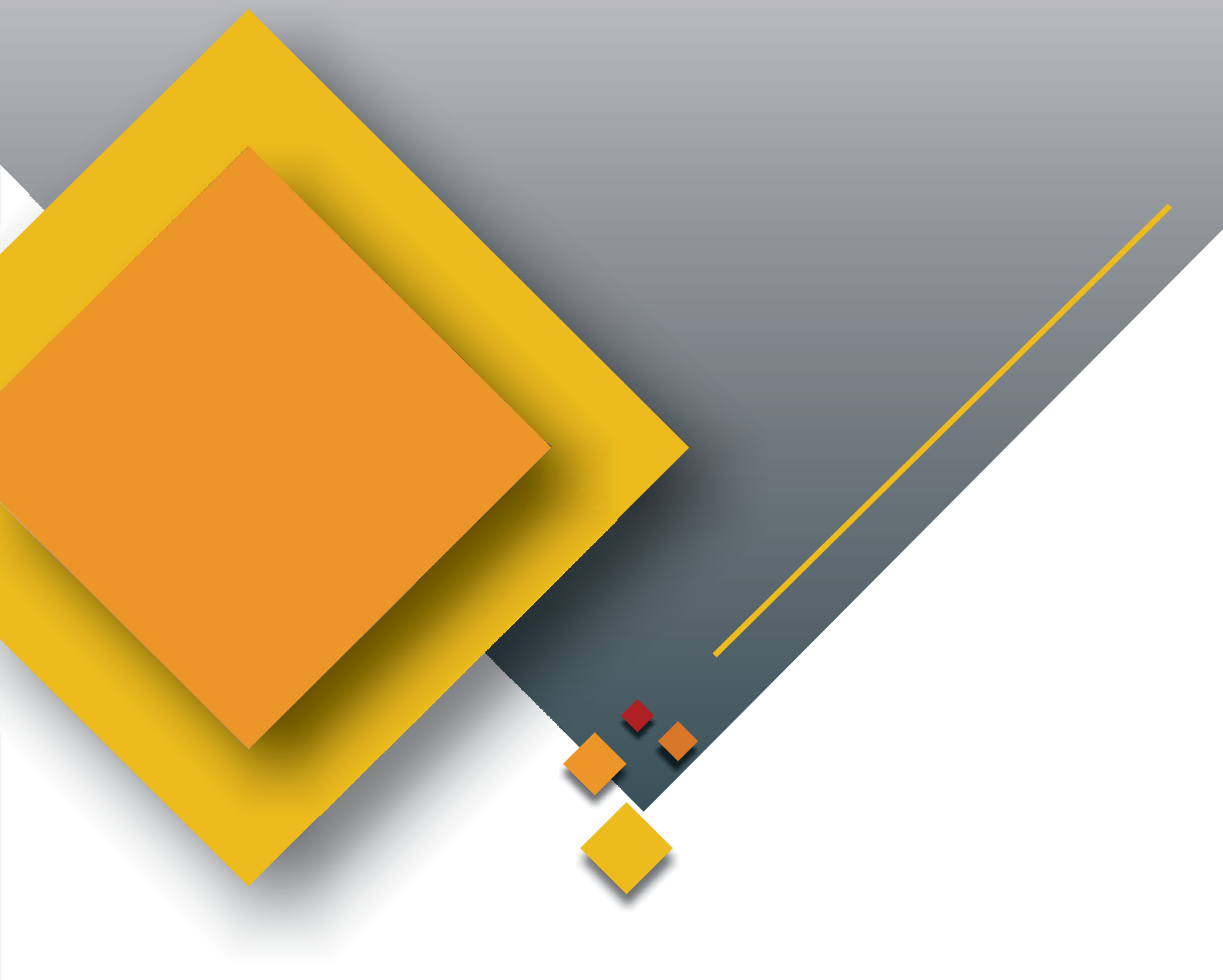
Total assets	1,234,729,122
Total liabilities (short-term)	(443,707)
NET PARTICIPANTS' ASSETS	1,234,285,415

**FOR THE PERIOD
JANUARY 1 TO
FEBRUARY 29
2016**

EUR

Profit and interest on revaluation of investments	(22,456,273)
Fees charged on participants' accounts	(957,238)
NET INCREASE IN NET PARTICIPANTS' ASSETS	(23,413,511)

There are no additional subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2015.



ADDRESS

Agim Ramadani No. 10
Pristina, 10000, Kosovo

TEL & FAX

+381 38 244 341
+381 38 244 368

E-MAIL & WEB

info@trusti.org
www.trusti.org