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KOSOVO PENSION SAVINGS TRUST
OPERATIONS

INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2016

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Deloitte Kosova sh.p.k
St. Ali Hadri nn.
10000 Prishtinë
Republic of Kosova
Tel: +381 (0)38 760 300
Fax: +381(0) 38 760 350
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Kosovo Pension Savings Trust

Opinion

We have audited the financial statements of Kosovo Pension Savings Trust –Operations (the "Institution"), which comprise the statement of financial position as at December 31, 2016, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kosovo Pension Savings Trust – Operations as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institution in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosova, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Institution's financial reporting process.

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

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

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

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

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Deloitte Kosova sh.p.k.
Str. Ali Hadri, nn, Prishtinë, Republic of Kosovo
April 13, 2017

	Notes	As at December 31 2016 EUR	As at December 31 2015 EUR
Assets			
Current Assets			
Cash in hand and at banks	4	1,359,344	374,974
Held to maturity investments	5	4,503,039	4,925,174
Account receivables	6	428,498	615,766
Prepaid expenses		40,502	40,448
		6,331,383	**5,956,362**
Fixed Assets			
Property, plant and equipment	7	42,291	91,180
Intangible assets	8	68,048	123,752
		110,339	**214,932**
Total assets		**6,441,722**	**6,171,294**
Liabilities			
Current Liabilities			
Accounts payable	9	1,088,168	931,480
		1,088,168	**931,480**
Net assets attributable to KPST Operations		**5,353,554**	**5,239,814**

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 13, 2017.

FKPK KPST KPSF 2

Prof. Dr. Ymer Havolli
Chairperson of the Board

Mr. Adrian Zalli
Managing Director

Mr. Vërshim Hatipi
Deputy Director - Finance | Investments and Risk | IT

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

	Notes	Year ended December 31 2016	Year ended December 31 2015
		EUR	EUR
Income			
Fees charged on pension assets	11	6,323,014	5,819,478
Other income	12	227,939	114,233
Total income		**6,550,953**	**5,933,711**
Expenses			
Investment expenses			
Open-end vehicle net fees	13	(4,719,092)	(4,423,748)
CBK transfer and maintenance charges		(52,636)	(9,138)
Brokerage, custody and pledge expenses		(8,916)	(9,887)
		(4,780,644)	**(4,442,773)**
Operational expenses			
Staff costs	14	(575,672)	(574,068)
Governing Board expenses	15	(171,744)	(157,403)
Account statements and correspondence		(134,969)	(170,387)
Depreciation and amortisation	7-8	(129,952)	(151,399)
Office operating expenses		(82,954)	(82,664)
Software maintenance		(57,145)	(44,812)
CBK supervision charges		(16,258)	(6,606)
Public education and advertising		(11,491)	(41,479)
External audit		(10,100)	(9,900)
Communication		(7,760)	(8,705)
Professional services/Contractors/Consultants	16	(6,011)	(8,583)
Bank charges		(2,746)	(8,141)
Meetings and conferences		(2,602)	(1,791)
Disaster recovery - rent and other associated costs		(550)	(6,650)
Other costs		(6,615)	(9,895)
		(1,216,569)	**(1,282,483)**
Total expenses		**(5,997,213)**	**(5,725,256)**
Net surplus for the year		**553,740**	**208,455**

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

	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
As at January 1, 2015		**1,086,359**	**5,000,000**	**6,086,359**
Net surplus for the year		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**
Net surplus for the year		553,740	-	553,740
Return of surplus to KPST-PA	**10**	(440,000)	-	**(440,000)**
As at December 31, 2016		**353,554**	**5,000,000**	**5,353,554**

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

	Notes	Year ended December 31 2016	Year ended December 31 2015
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		553,740	208,455
Adjustments for:			
Depreciation and amortisation	7-8	129,952	151,399
		683,692	359,854
Changes in operating assets and liabilities:			
Increase in accounts payable / accruals		156,688	60,842
(Increase) / Decrease in accounts receivable / prepaid expenses		187,214	(229,219)
Net cash flows from operating activities		**1,027,594**	**191,477**
Cash flows from investing activities			
Purchase of equipment		(4,410)	(22,564)
Purchase of software and licenses		(20,949)	(4,349)
(Increase) / Decrease in held to maturity investments		422,135	(27,699)
Net cash flows from investing activities		**396,776**	**(54,612)**
Cash flows from financing activities			
Return of surplus to KPST-PA		(440,000)	(1,055,000)
Net cash flows from financing activities		**(440,000)**	**(1,055,000)**
Increase / (Decrease) in cash and cash equivalents		**984,370**	**(918,135)**
Cash and cash equivalents at the start of the year		374,974	1,293,109
Cash and cash equivalents at the end of the year	**4**	**1,359,344**	**374,974**

The accompanying notes 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. 182-184, 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 and No. 05/L-116; 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 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 2016 (2015: 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

i) Initial application of new standard and amendments to the existing standards effective for the current reporting period

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);
- **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 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).

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

ii) New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation to existing were in issue, but not yet effective:

- **IFRS 9 "Financial Instruments**" (effective for annual periods beginning on or after 1 January 2018);
- **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 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time);
- **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 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 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

KPST-O has elected not to adopt these new standards and amendments to existing standards for in advance of their effective dates. KPST-O anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the KPST-O 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-O makes no provision and has no obligation for employees' pensions over and above the contributions paid into the above mentioned pension scheme.

3.10 Significant estimates and judgments

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

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

Useful life of depreciable assets
Management reviewed the useful lives of depreciable assets at 31 December 2016. 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 obsoleteness.

3.11 Financial risk management

3.11.1 Credit risk

Credit risk is the risk of financial loss to KPST-O if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from KPST-O deposits with banks, cash and cash equivalents, as well investments in Kosovo Treasury debt instruments.

3.11.2 Liquidity risk

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

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

	As at December 31 2016			As at December 31 2015		
	1-3 months	3-6 months	6-12 months	1-3 months	3-6 months	6-12 months
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash in hand and at banks	1,359,344	-	-	374,974	-	-
Held to maturity investments	-	-	4,503,039	-	-	4,925,174
Account receivables	428,498	-	-	615,766	-	-
	1,787,842	**-**	**4,503,039**	**990,740**	**-**	**4,925,174**
Financial Liabilities						
Account payables	1,088,168	-	-	931,480	-	-
	1,088,168	**-**	**-**	**931,480**	**-**	**-**
Maturity gap	**699,674**	**-**	**4,503,039**	**59,260**	**-**	**4,925,174**

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 2016		As at December 31 2015	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Interest-bearing				
Fixed rate				
Held to maturity investments	4,503,039	-	4,925,174	-
Total	**4,503,039**	**-**	**4,925,174**	**-**

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, 2016 and 2015.

	As at December 31 2016		As at December 31 2015	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash in hand and at banks	1,359,344	1,359,344	374,974	374,974
Held to maturity investments	4,503,039	4,503,039	4,925,174	4,926,185
Account receivables	428,498	428,498	615,766	615,766
	6,290,881	**6,290,881**	**5,915,914**	**5,916,925**
Financial Liabilities				
Account payables	1,088,168	1,088,168	931,480	931,480
	1,088,168	**1,088,168**	**931,480**	**931,480**

4 CASH IN HAND AND AT BANKS

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Raiffeisen Bank Kosovo - Current account	119,740	31,420
ProCredit Bank - Current account	1,239,006	342,955
NLB Prishtina - Current account	252	257
Cash in hand	346	342
Total cash in hand and at banks	**1,359,344**	**374,974**

The current accounts of KPST-O do not provide any interest.

5 HELD TO MATURITY INVESTMENTS

	2016	2015
	EUR	EUR
As at January 1	**4,925,174**	**4,897,475**
Placements		
KV1107540754 T-Bill Mat. 07.12.2017 @1.60%	-	4,920,399
BKT Deposit Mat. 15.12.2017 @1.45%	4,500,000	-
	4,500,000	**4,920,399**
Interest		
KV1105640563 T-Bill Mat. 09.12.2016 @2.20%	-	102,525
KV1107540754 T-Bill Mat. 07.12.2017 @1.60%	74,826	4,775
BKT Deposit Mat. 15.12.2017 @1.45%	3,039	-
	77,865	**107,300**
Redemptions (upon maturity)		
KV1105640563 T-Bill Mat. 09.12.2016 @2.20%	-	(5,000,000)
KV1107540754 T-Bill Mat. 07.12.2017 @1.60%	(5,000,000)	-
	(5,000,000)	**(5,000,000)**
As at December 31	**4,503,039**	**4,925,174**

As at December 31, 2016, the held-to-maturity investments of KPST-O consisted of the placement of EUR 4,500,000 in a single term deposit with Banka Kombëtare Tregtare – Dega në Kosovë. This deposit has the original maturity of 1 year and accrues an interest of 1.45% p.a. Including the accrued interest on reporting date the value of the investment was EUR 4,503,039. It is the intention of the Governing Board to hold the deposit to maturity.

Kosovo Treasury securities, with an original maturity of 1 year, were also part of held-to-maturity investments during years ended December 31, 2015 and 2016.

6 ACCOUNT RECEIVABLES

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Receivables from KPST-PA	375,095	277,050
Rebates receivable from open-end funds	53,403	338,716
Total account receivables	**428,498**	**615,766**

As at December 31, 2016 the balance of receivables from KPST-PA amounting EUR 375,095 (2015: EUR 277,050) relates to the fees charged on participants' accounts amounting EUR 373,958 (2015: fees charged on participants' accounts amounting EUR 237,612 and re-invested rebates amounting EUR 38,987), as well as differences from refunds of erroneous contributions amounting EUR 1,137 (2015: EUR 451); 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, 2015	**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**
Additions for the year	2,250	690	1,470	-	4,410
Disposals for the year	(8,014)	(146)	(3,242)	-	(11,402)
As at December 31, 2016	**281,116**	**22,414**	**69,159**	**53,365**	**426,054**
Accumulated depreciation					
As at January 1, 2015	**(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)**
Charge for the year	(43,516)	(824)	(8,959)	-	(53,299)
Eliminated through disposals	8,014	146	3,242	-	11,402
As at December 31, 2016	**(263,067)**	**(19,396)**	**(47,935)**	**(53,365)**	**(383,763)**
Net book value					
As at December 31, 2016	**18,049**	**3,018**	**21,224**	**-**	**42,291**
As at December 31, 2015	**59,315**	**3,152**	**28,713**	**-**	**91,180**

As at 31 December 2016 and 2015, there are no encumbrances over KPST-O assets.

8 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2015	**371,592**
Additions for the year	4,349
Disposals for the year	(3,110)
As at December 31, 2015	**372,831**
Additions for the year	20,949
Disposals for the year	(523)
As at December 31, 2016	**393,257**
Accumulated amortisation	
As at January 1, 2015	**(178,356)**
Charge for the year	(73,833)
Eliminated through disposals	3,110
As at December 31, 2015	**(249,079)**
Charge for the year	(76,653)
Eliminated through disposals	523
As at December 31, 2016	**(325,209)**
Net book value	
As at December 31, 2016	**68,048**
As at December 31, 2015	**123,752**

9 ACCOUNTS PAYABLE

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Payables for investment activities	953,546	716,681
Accruals for printing and mailing member account statements	118,267	146,598
Other accounts payable	16,355	68,201
Total accounts payable	**1,088,168**	**931,480**

As at December 31, 2016 the balance of payables for investment activities included management fees invoiced by managers of open-end vehicles in the amount of EUR 952,803 as well as brokerage fees in the amount of EUR 743 (2015: EUR 715,938 and EUR 743 respectively).

10 SURPLUS

	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR
Income for the year 2016			
Income from fees charged	1,083,849	5,239,165	6,323,014
Non-fee income	227,939	-	227,939
	1,311,788	**5,239,165**	**6,550,953**
Expenses for the year 2016	**(1,216,569)**	**(4,780,644)**	**(5,997,213)**
Surplus for the year 2016	**95,219**	**458,521**	**553,740**
Surplus at the start of the year	136,010	103,804	239,814
Return of surplus to KPST-PA	-	(440,000)	**(440,000)**
Surplus at the end of the year	**231,229**	**122,325**	**353,554**

During 2016 the Governing Board decided to refund EUR 440,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 353,554 as of December 31, 2016.

11 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Fees charged for investment activities	5,239,165	4,718,409
Fees charged for operational activities	1,083,849	1,101,069
Total fees charged on pension assets	**6,323,014**	**5,819,478**

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, 2016 amounted EUR 6,323,014 (2015: EUR 5,819,478).

Fees are approved by the Assembly of the Republic of Kosovo in accordance with Law Nr. 04/L-168 as follows:

a) January 1, 2015 to March 12, 2015 combined fees of 0.530% consisting of:
- Fees for investment activities at 0.400% p.a.; and
- Fees for operational activities at 0.130% p.a.;

b) March 13, 2015 to February 21, 2016 combined fees of 0.485% consisting of:
- Fees for investment activities at 0.400% p.a.; and
- Fees for operational activities at 0.085% p.a.; and

c) February 22, 2016 to December 31, 2016 combined fees of 0.480% consisting of:
- Fees for investment activities at 0.398% p.a.; and
- Fees for operational activities at 0.082% p.a.

12 OTHER INCOME

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Interest income on held to maturity investments	77,865	107,300
Differences from refunds of erroneous contributions	147,311	5,144
Other income from operational activities	2,763	380
Other income from investment activities	-	1,409
Total other income	**227,939**	**114,233**

13 OPEN-END VEHICLE NET FEES

	Year ended December 31 2016			Year ended December 31 2015		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	872,731	(418,909)	453,822	884,512	(424,566)	459,946
BNY Mellon – RRF	1,212,352	-	1,212,352	1,033,227	-	1,033,227
AXA – GILB	369,104	(46,138)	322,966	357,110	(44,635)	312,475
Schroders – SISF	91,476	-	91,476	558,529	-	558,529
Schroders - GDG	112,627	-	112,627	-	-	-
Nordea 1 - GSEF	510,394	-	510,394	241,760	-	241,760
Nordea 1 - SRF	1,142,434	-	1,142,434	676,803	-	676,803
KBI - IDEF	216,798	(11,225)	205,573	431,497	(19,186)	412,311
AXA - WFOI	306,265	-	306,265	154,565	-	154,565
Pictet - HDS	268,573	-	268,573	209,272	-	209,272
Tobam - ABWEF	51,132	(28,811)	22,321	515,590	(294,248)	221,342
BNP Paribas – PDP	74,306	(10,604)	63,702	-	-	-
Amundi - RPI2	6,587	-	6,587	-	-	-
Aquila – RP7	-	-	-	143,518	-	143,518
Total open-end vehicle net fees	**5,234,779**	**(515,687)**	**4,719,092**	**5,206,383**	**(782,635)**	**4,423,748**

14 STAFF COSTS

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Staff salaries	440,566	418,946
Cost of the Collective Agreement	55,305	32,811
Employer's pension contributions	47,718	46,340
Overtime, bonuses and retention fees	9,697	46,830
Staff training	1,904	8,219
Health insurance	6,949	7,363
Travel and other staff expenses	13,533	13,559
Total staff costs	**575,672**	**574,068**

15 GOVERNING BOARD EXPENSES

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Trustees honoraria	106,100	84,153
Meetings (Travel/Hotel/Other costs)	36,621	29,126
Fiduciary Insurance	21,731	38,210
Employer's pension contributions	7,292	5,914
Total Governing Board expenses	**171,744**	**157,403**

16 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Design and public relation related services	4,068	5,759
Translation and proofreading services	1,716	2,649
Notary/Legal services	227	175
Total Professional services/Consultants/Contractors	**6,011**	**8,583**

17 EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that require adjustment or further disclosure in the financial statements for the year ended December 31, 2016.