

KOSOVO PENSION SAVINGS TRUST

PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2016



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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 –Pension Assets (the “the Fund”), 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 – Pension Assets 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 Fund 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 Fund’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 Fund’s financial reporting process.

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 Fund'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.

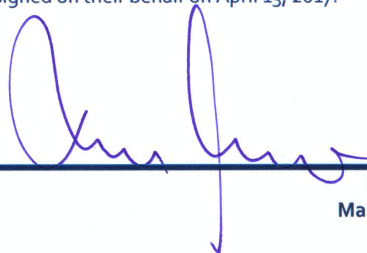
Deloitte Kosova Bujak

	Notes	As at December 31 2016	As at December 31 2015
		EUR	EUR
Assets			
Cash at bank	4	15,935,612	50,906,018
Contribution and other receivables	5	9,790,897	8,758,404
Available for sale investments	6	1,303,741,649	1,084,732,950
Held to maturity investments	7	98,711,036	95,654,197
		1,428,179,194	1,240,051,569
Liabilities			
Liabilities towards KPST-O	8	375,094	277,050
Liabilities for repurchased shares	9	269,595	1,666,758
Non-contributions	10	22,099	16,029
Interest payable	4	8,195	-
		674,983	1,959,837
Net participants' assets		1,427,504,211	1,238,091,732

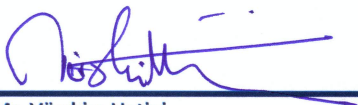
Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on April 13, 2017.



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 from 1 to 18 form an integral part of these financial statements

	Notes	Year ended December 31 2016	Year ended December 31 2015
		EUR	EUR
Income			
Revaluation of available for sale investments – net	11	61,977,235	26,712,800
Interest income from held to maturity investments	12	2,200,201	1,676,846
Other income	13	440,000	1,165,138
		64,617,436	29,554,784
Expenses			
Interest expenses on cash at CBK	4	(57,152)	-
Fees charged on participants' accounts	14	(6,323,013)	(5,819,478)
		(6,380,165)	(5,819,478)
Increase in net participants' assets		58,237,271	23,735,306

The accompanying notes from 1 to 18 form an integral part of these financial statements

	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
As at January 1, 2015	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
Contributions	152,278,668	-	152,278,668
Repurchases due to withdrawal of savings	(16,014,169)	(3,194,406)	(19,208,575)
Repurchases due to refunds	(1,747,575)	(147,310)	(1,894,885)
Increase in net participants' assets	-	58,237,271	58,237,271
As at December 31, 2016	1,177,645,803	249,858,408	1,427,504,211

The accompanying notes from 1 to 18 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			
Increase in net participants' assets		58,237,271	23,735,306
<i>Movement of working capital:</i>			
(Increase) in coupons receivable	5	(257,560)	-
Increase / (Decrease) in liabilities for fees and rebates	8	97,358	(42,604)
Increase in liabilities for interest expenses and non-contributions	4,10	14,265	2,341
Net cash flows from operating activities		58,091,334	23,695,043
Cash flows from investing activities			
(Increase) in available for sale investments		(219,008,699)	(61,113,332)
(Increase) in held to maturity investments		(3,056,839)	(40,952,719)
Net cash flows from investing activities		(222,065,538)	(102,066,051)
Cash flows from financing activities			
Participants' contributions received		151,503,736	137,519,615
Withdrawal of savings		(20,528,202)	(17,786,861)
Refunds		(1,971,736)	(393,946)
Net cash flows from financing activities		129,003,798	119,338,808
Increase / (Decrease) in cash and cash equivalents			
		(34,970,406)	40,967,800
Cash and cash equivalents at the start of the year		50,906,018	9,938,218
Cash and cash equivalents at the end of the year	4	15,935,612	50,906,018

The accompanying notes from 1 to 18 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 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

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 this new standard and these amendments to the existing standards has not led to any material 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)

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 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-PA has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. KPST-PA anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the KPST-PA 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	As at
		December 31 2016	December 31 2015
		EUR	EUR
Available for sale investments	1	1,303,741,649	1,084,732,950

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2016 and 2015.

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: 56%; Multi-asset class vehicles: 45%; Pure debt securities vehicles including Kosovo treasury bonds: 34%; and money markets and Kosovo treasury bills: 12%); 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: 58%; and Pure income vehicles: 25%). Within this framework the Governing Board makes decisions whether to increase or reduce exposure to a certain Open-end vehicle depending on vehicle's performance, underlying holdings, or its correlation with other Open-end-vehicles, as well as beliefs for the short and medium term prospect for the given asset class and investment style of the Open-end vehicle. KPST itself does not engage in forward contracts, swaps or derivatives in order to manage and control these risks to assets of KPST-PA.

The Investment and Risk Department of KPST on regular 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 regular 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, 2015 and 2016.

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 2016		As at December 31 2015	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Fixed rate				
Held to maturity investments	98,711,036	-	95,654,197	-
Total	98,711,036	-	95,654,197	-

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, 2016 amounted to EUR 1,874,995 (2015: EUR 1,640,183). Average monthly incoming contributions for the year amounting EUR 12,625,311 (2015: EUR 11,459,968) 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 2016		As at December 31 2015	
	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	15,935,612	-	50,906,018	-
Held to maturity investments	78,739,286	19,971,750	55,999,981	39,654,216
Contribution and other receivables	9,790,897	-	8,758,404	-
	104,465,795	19,971,750	115,664,403	39,654,216
Financial liabilities				
Account payables	674,983	-	1,959,837	-
	674,983	-	1,959,837	-
Maturity gap	103,790,812	19,971,750	113,704,566	39,654,216

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, 2016 and 2015:

Description	Applicable ratings	Percentage of KPST assets as at December 31 2016	Percentage of KPST assets as at December 31 2015
Prime	AAA	17.55%	17.9%
High	AA+ , AA, AA-	5.76%	10.4%
Upper medium	A+ , A, A-	0.85%	3.2%
Lower medium	BBB+ , BBB, BBB-	2.22%	2.5%
Non-investment speculative	BB+ , BB, BB-	0.80%	0.8%
Highly speculative	B+ , B, B-	0.45%	0.4%
Substantial risk	CCC+	0.03%	-
Extremely speculative	CCC	0.00%	-
In default with little prospect of recovery	CCC- , CC, C	0.00%	0.0%
In default	D	-	0.0%
Total		27.66%	35.2%

As at December 31, 2016, percentage of KPST assets invested in debt instruments was 27.66% (December 31, 2015: 35.2%). The remaining 72.34% (as at December 31, 2016) and 64.8% (as at December 31, 2015) comprise of investments in other instruments such as shares and term deposits with local banks.

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/decreased by EUR 65,186,521 (2015: EUR 66,532,108).

The maximum drawdown for the KPST-PA portfolio for the 1 year period ending December 31, 2016 was 5.3%, and for the 3 year period it was 9.1%.

The ratio of volatility vs performance for the 1 year period ending December 31, 2016 was 0.87; where the annualised volatility was 5.1% and the performance 4.44%. On the other hand the ratio for the 3 year period was 0.81; where the annualised volatility was 5.3% and the annualised performance 4.32%.

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, 2016 was as follows:

Currency - USD: 44.5%; EUR: 33.7%; GBP: 7.9%; JPY: 5.0%; DKK: 2.9%; CAD: 2.4%; CHF: 2.3%; Others (net): 1.3%.

Asset class - Equities: 72.5%; Treasury debt: 20.1%; Corporate debt: 6.6%; Money markets: 5.5%; Net derivatives: -5.7%.

The main risks to which Open-end vehicles themselves were exposed to as at December 31, 2016 were as follows:

Fund	Main risks
Vanguard - GSIF	Price Country/political Index tracking
AXA - GILB	Credit Counterparty Interest rate
BNY Mellon - RRF	Price Credit Counterparty Interest rate Currency
Schroders - GDG	Price Counterparty Credit Currency Derivatives Interest rate Leverage
Schroders - SISF	Credit Counterparty Currency Derivatives
Nordea 1 - GSEF	Price Counterparty Country/Political
Nordea 1 - SRF	Price Credit Counterparty Country/Political Derivatives
AXA - WFOI	Credit Counterparty
Pictet - HDS	Price Counterparty Currency Country/Political
BNP Paribas – PDP	Credit Liquidity Counterparty Operating and Custody Derivatives
Amundi – RPI2	Credit Liquidity Counterparty Derivatives

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 2016	As at December 31 2015
	EUR	EUR
At Central Bank of Republic of Kosovo	15,935,612	50,906,018
Total cash at bank	15,935,612	50,906,018

During 2015 and up to July 2016 there was no interest on the KPST-PA cash account with the Central Bank of Kosovo. Starting from August 1, 2016 a negative interest of -0.40% p.a. was applied on the daily account balance. The total interest expenses for the year ending December 31, 2016 were EUR 57,152 of which EUR 8,195 were payable to the CBK on reporting date.

5 CONTRIBUTION AND OTHER RECEIVABLES

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Contributions receivable	9,533,337	8,758,404
Coupon payments receivable	257,560	-
Total contribution and other receivables	9,790,897	8,758,404

Contributions receivable relate to contributions for the reporting and prior years received in the collection account up to the 18th of the month following reporting date (2015: up to the 18th) and not utilised on reporting date. Coupon payments receivable relate to coupons from three Kosovo Treasury bonds due but not received on reporting date.

6 AVAILABLE FOR SALE INVESTMENTS

	Notes	As at December 31 2016	As at December 31 2015
		EUR	EUR
Vanguard - GSIF	6.1	395,450,768	348,579,355
BNY Mellon - RRF	6.2	138,826,337	170,643,379
AXA - GILB	6.3	85,653,672	95,816,363
Schroders - SISF	6.4	10,209,928	111,573,428
Schroders - GDG	6.5	50,872,418	-
Nordea 1 - GSEF	6.6	170,162,279	57,695,077
Nordea 1 - SRF	6.7	232,257,002	145,649,845
KBI - IDEF	6.8	-	58,909,446
AXA - WFOI	6.9	61,183,827	27,877,091
Pictet - HDS	6.10	58,778,067	32,956,868
Tobam - ABWEF	6.11	-	35,032,098
BNP Paribas - PDP	6.12	50,091,736	-
Amundi - RPI2	6.13	50,255,615	-
Total available for sale investments		1,303,741,649	1,084,732,950

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.1 Vanguard Investment Series plc - Global Stock Index Fund Euro hedged (ISIN: IE00B03HD316)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	22,732,448	348,579,355	22,705,338	343,025,434
New investments during the year	1,205,575	20,000,000	-	-
Re-investment of rebates	27,093	415,236	27,110	423,931
Revaluation - Increase	-	27,328,908	-	6,014,502
Fees withheld	-	(872,731)	-	(884,512)
As at December 31	23,965,116	395,450,768	22,732,448	348,579,355

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 unit price change for the year ended December 31, 2016 was +7.61% (2015: +1.50%). The management fee is calculated daily, at an annualised rate of 0.25% of assets (2015: 0.25%). The fund gives out 0.12% as rebate on the management fee (2015: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2015: 0.13% of assets p.a.). There were no redemptions from this fund during 2016.

6.2 BNY Mellon - Real Return Fund (ISIN IE00B504KX99)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	138,385,677	170,643,379	138,385,677	166,159,683
New investments during the year	24,197,451	30,000,000	-	-
Redemptions	(52,263,407)	(65,000,000)	-	-
Revaluation - Increase	-	3,182,958	-	4,483,696
As at December 31	110,319,721	138,826,337	138,385,677	170,643,379

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 unit price change for the year ended December 31, 2016 was +2.05% (2015: +2.70%). The management fee was calculated daily at an annualised rate of 0.60% of assets (2015: 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, 2016 amount to EUR 1,212,352 (2015: EUR 1,033,227). The redemption of EUR 65,000,000 from this fund on December 2016 included realised gains of EUR 6,977,097.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.3 AXA - Global Inflation Linked Bonds Eur (ISIN LU0227145629)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	668,036	95,816,363	497,762	71,926,649
New investments during the year	-	-	169,976	25,000,000
Re-investment of rebates	306	46,661	298	43,585
Redemptions	(118,010)	(18,000,000)	-	-
Revaluation - Increase / (Decrease)	-	8,159,752	-	(796,761)
Fees withheld	-	(369,104)	-	(357,110)
As at December 31	550,332	85,653,672	668,036	95,816,363

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 unit price change for the year ending December 31, 2016 was +8.51% (2015: -0.74%). The management fee is calculated daily at an annualised rate of 0.40% of assets (2015: 0.40%); however, when value of assets is in excess of EUR 50 million, a rebate at an annualised rate of 0.05% of assets is accrued daily and reinvested in the following month, making net fees charged by the fund 0.35% of assets p.a. The redemption of EUR 18,000,000 from this fund on June 2016 included realised gains of EUR 2,357,808.

6.4 Schroders - International Strategic Bond Euro Hedged (ISIN LU0201624265)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	734,036	111,573,428	734,036	114,516,911
Redemptions	(668,807)	(100,000,000)	-	-
Revaluation - (Decrease)	-	(1,363,500)	-	(2,943,483)
As at December 31	65,229	10,209,928	734,036	111,573,428

Schroders International Strategic Bond fund is a Luxembourg based mutual fund which operates through investments in a portfolio of bonds and other fixed and floating rates securities denominated in various currencies issued by governments, government agencies, supra-national and corporate issuers worldwide. The fund does not pay a dividend therefore all the income is reflected in the bid price of the fund. The unit price change for the year ended December 31, 2016 was +2.98% (2015: -2.57%). The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2015: 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, 2016 amount to EUR 91,476 (2015: EUR 558,529). The redemption of EUR 100,000,000 from this fund on February 2016 included realised gains of EUR 15,956,754.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.5 Schrodgers – Global Diversified Growth Fund (ISIN LU0776411141)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	-	-	-	-
New investments during the year	314,894	50,000,000	-	-
Revaluation - Increase	-	872,418	-	-
As at December 31	314,894	50,872,418	-	-

During August 2016 KPST-PA made its first investment into the Schrodgers Global Diversified Growth Fund which is a fund with a mixture of asset classes in its portfolio. The fund does not pay a dividend therefore all the gains and income were reflected on the Net Asset Value of the fund. The unit price change from the initial investment in August 2016 and up to December 31, 2016 was +2.25%. The management fee is calculated quarterly at an annualised rate of 0.65% 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, 2016 amount to EUR 112,627. There were no redemptions from this fund during 2016.

6.6 Nordea 1 – Global Stable Equity Fund (ISIN LU0257969260)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	2,648,993	57,695,077	2,648,993	50,304,385
New investments during the year	4,368,008	99,000,000	-	-
Revaluation - Increase	-	13,467,202	-	7,390,692
As at December 31	7,017,001	170,162,279	2,648,993	57,695,077

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 unit price change for the year ended December 31, 2016 was +11.34% (2015: +14.69%). 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, 2016 amount to EUR 510,394 (2015: EUR 241,760). There were no redemptions from this fund during 2016.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.7 Nordea 1 –Stable Return Fund X EUR (ISIN LU0539147214)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	8,468,014	145,649,845	6,124,722	100,812,922
New investments during the year	4,420,832	80,000,000	2,343,292	40,000,000
Revaluation - Increase	-	6,607,157	-	4,836,923
As at December 31	12,888,846	232,257,002	8,468,014	145,649,845

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, 2016 was +4.77% (2015: +4.50%). 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, 2016 amount to EUR 1,142,434 (2015: EUR 676,803). There were no redemptions from this fund during 2016.

6.8 Kleinwort Benson Investors - Institutional Developed Equity Fund H (ISIN IE00B589V552)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	3,869,003	58,909,446	3,868,079	54,922,848
New investments during the year	498,114	7,000,000	-	-
Re-investment of rebates	719	10,252	924	14,367
Revaluation – Increase / (Decrease)	-	(617,772)	-	4,403,728
Fees withheld	-	(216,798)	-	(431,497)
Redemptions	(4,367,836)	(65,085,128)	-	-
As at December 31	-	-	3,869,003	58,909,446

Kleinwort Benson Investors – Institutional Developed Equity Fund, 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. On June 28, 2016 KPST-PA redeemed in full its investment into this fund and the unit price change for the year up to June 28, 2016 was -2.13% (for the year ending December 31, 2015: +7.23%). 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 (2015: 0.73%). When the value of assets is in excess of EUR 40,000,000 the fund gave out a 0.1% of assets p.a. as rebate on the management fee. The full redemption of EUR 65,085,128 from this fund included realised gains of EUR 7,060,510.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.9 AXA - Optimal Income I EUR (ISIN: LU0184635471)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	209,713	27,877,091	209,664	26,287,722
New investments during the year	239,904	30,000,000	49	6,667
Revaluation - Increase	-	3,613,001	-	1,737,267
Fees withheld	-	(306,265)	-	(154,565)
As at December 31	449,617	61,183,827	209,713	27,877,091

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 unit price change for the year ended December 31, 2016 was +2.37% (2015: +6.02%). The management fee is calculated daily at an annualised rate of: 0.55% of assets (2015: 0.55%), and is withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2016.

6.10 Pictet - High Dividend Selection - Z Euro (ISIN: LU0650147423)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	202,003	32,956,868	202,003	30,197,501
New investments during the year	129,646	22,000,000	-	-
Revaluation - Increase	-	3,821,199	-	2,759,367
As at December 31	331,649	58,778,067	202,003	32,956,868

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 unit price change for the year ended December 31, 2016 was +8.63% (2015: +9.14%). 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, 2016 amount to EUR 268,573 (2015: EUR 209,272). There were no redemptions from this fund during 2016.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.11 Tobam - Anti-benchmark World Equity Fund Euro-Hedged (ISIN: LU1067857836)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	2,499	35,032,098	2,493	36,661,888
New investments during the year	-	-	6	103,472
Revaluation – (Decrease)	-	(3,522,683)	-	(1,217,672)
Fees withheld	-	(51,132)	-	(515,590)
Redemptions	(2,499)	(31,458,283)	-	-
As at December 31	-	-	2,499	35,032,098

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. On February 12, 2016 KPST redeemed in full its investment into this fund. 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 (2015: 1.40% of assets, 0.80% of which was given as a rebate) and is withheld from the fund, thereby reducing the net asset value. The full redemption of EUR 31,458,283 from this fund was net of realised losses of EUR 3,645,190.

6.12 BNP Paribas IP – Parvest Diversified Dynamic (ISIN: LU0102035119)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	-	-	-	-
New investments during the year	355,437	50,000,000	-	-
Revaluation – Increase	-	166,042	-	-
Fees withheld	-	(74,306)	-	-
As at December 31	355,437	50,091,736	-	-

During October 2016 KPST-PA made its first investment into the BNP Paribas IP – Parvest Diversified Dynamic which is a fund with a mixture of asset classes in its portfolio. The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The unit price change from the initial investment in October 2016 and up to December 31, 2016 was +0.14%. The management and other fees are calculated daily, at an annualised rate of 0.76% of assets and are withheld from the fund, thereby reducing the net asset value. The fund gives out 0.11% of assets as rebate on the fees, making net fees charged by the fund 0.65% of assets p.a. There were no redemptions from this fund during 2016.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.13 Amundi – Amundi Rendement Plus I2 (ISIN: FR0011027283)

	2016		2015	
	Units	EUR	Units	EUR
As at January 1	-	-	-	-
New investments during the year	10	49,999,649	-	-
Revaluation – Increase	-	262,553	-	-
Fees withheld	-	(6,587)	-	-
As at December 31	10	50,255,615	-	-

During December 2016 KPST-PA made its first investment into the Amundi Rendement Plus I2 which is a fund with a mixture of asset classes in its portfolio. The fund does not pay any dividend therefore all gains were reflected in the Net Asset Value of the fund. The unit price change from the initial investment in December 6, 2016 and up to December 31, 2016 was +0.61%. The management and other fees are calculated daily, at an annualised rate of 0.20% of assets and are withheld from the fund, thereby reducing the net asset value. There were no redemptions from this fund during 2016.

6.14 Open-end vehicle fees and rebates

		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	6.1	872,731	(418,909)	453,822	884,512	(424,566)	459,946
BNY Mellon – RRF	6.2	1,212,352	-	1,212,352	1,033,227	-	1,033,227
AXA – GILB	6.3	369,104	(46,138)	322,966	357,110	(44,635)	312,475
Schroders – SISF	6.4	91,476	-	91,476	558,529	-	558,529
Schroders – GDG	6.5	112,627	-	112,627	-	-	-
Nordea 1 – GSEF	6.6	510,394	-	510,394	241,760	-	241,760
Nordea 1 – SRF	6.7	1,142,434	-	1,142,434	676,803	-	676,803
KBI – IDEF	6.8	216,798	(11,225)	205,573	431,497	(19,186)	412,311
AXA – WFOI	6.9	306,265	-	306,265	154,565	-	154,565
Pictet – HDS	6.10	268,573	-	268,573	209,272	-	209,272
Tobam – ABWEF	6.11	51,132	(28,811)	22,321	515,590	(294,248)	221,342
BNP Paribas – PDP	6.12	74,306	(10,604)	63,702	-	-	-
Amundi – RPI2	6.13	6,587	-	6,587	-	-	-
Aquila – RP7 ¹		-	-	-	143,518	-	143,518
Total open-end vehicle fees and rebates		5,234,779	(515,687)	4,719,092	5,206,383	(782,635)	4,423,748

¹ During 2015 KPST redeemed in full its investment in the Aquila – RP7 fund.

7 HELD TO MATURITY INVESTMENTS

	Notes	As at December 31 2016	As at December 31 2015
		EUR	EUR
Term deposits	7.1	20,013,089	6,017,096
Kosovo Treasury debt instruments	7.2	78,697,947	89,637,101
Total held to maturity investments		98,711,036	95,654,197

7.1 Term deposits

2016					
Bank Rate Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31
		EUR	EUR	EUR	EUR
BKT 1.70 27.10.2016	3,009,082	-	41,803	(3,050,885)	-
BPB 1.50 28.10.2016	3,008,014	-	37,110	(3,045,124)	-
BPB 1.80 15.12.2017	-	8,000,000	6,707	-	8,006,707
BKT 1.45 18.12.2017	-	8,000,000	5,071	-	8,005,071
TEB 1.00 20.12.2017	-	4,000,000	1,311	-	4,001,311
	6,017,096	20,000,000	92,002	(6,096,009)	20,013,089

2015					
Bank Rate Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31
		EUR	EUR	EUR	EUR
BKT 1.70 27.10.2016	-	3,000,000	9,082	-	3,009,082
BPB 1.50 28.10.2016	-	3,000,000	8,014	-	3,008,014
	-	6,000,000	17,096	-	6,017,096

All the deposits are 1 year term deposits of fixed interest rates. The banks are all commercial banks licensed and operating in the Republic of Kosovo (BKT - Banka Kombëtare Tregtare – Dega Kosovë; BPB - Banka për Biznes; and TEB – Turkish Enterprise Bank).

7 HELD TO MATURITY INVESTMENTS (CONTINUED)

7.2 Kosovo Treasury debt instruments

ISIN Rate Maturity	2016				
	As at January 1	Placements	Interest earned	Matured / Coupons	As at December 31
	EUR	EUR	EUR	EUR	EUR
KV1204610466 2.60 30.06.2016	6,003,271	-	74,729	(6,078,000)	-
KV1205110510 2.90 30.09.2016	7,050,844	-	152,156	(7,203,000)	-
KV1205510558 2.90 01.12.2016	7,517,445	-	200,055	(7,717,500)	-
KV1105940594 2.00 10.02.2016	9,977,475	-	22,525	(10,000,000)	-
KV1206110619 2.80 31.03.2017	351,189	-	10,833	(9,800)	352,222
KV1106440648 1.50 18.05.2016	9,942,683	-	57,317	(10,000,000)	-
KV1206520656 3.20 29.05.2018	7,012,258	-	227,684	(224,000)	7,015,942
KV1206710671 2.80 30.06.2017	10,000,956	-	280,386	(280,000)	10,001,342
KV1207130716 4.90 31.08.2020	4,284,956	-	232,481	(211,680)	4,305,757
KV1207210725 2.80 30.09.2017	10,070,235	-	280,388	(280,000)	10,070,623
KV1107420749 1.60 20.04.2016	4,418,238	-	21,762	(4,440,000)	-
KV1107540754 1.60 07.12.2016	5,072,929	-	77,071	(5,150,000)	-
KV1207610763 2.60 31.12.2017	7,934,622	-	214,581	(206,700)	7,942,503
KV1208030808 3.50 26.02.2021	-	4,544,972	153,370	(90,370)	4,607,972
KV1108420848 0.30 19.10.2016	-	14,977,284	22,716	(15,000,000)	-
KV1108540856 0.50 17.05.2017	-	7,840,363	24,695	-	7,865,058
KV1108640860 0.40 14.06.2017	-	12,479,527	27,568	-	12,507,095
KV1208710879 0.70 30.06.2018	-	4,042,077	20,346	(20,345)	4,042,078
KV1108940891 0.20 16.08.2017	-	9,979,819	7,536	-	9,987,355
	89,637,101	53,864,042	2,108,199	(66,911,395)	78,697,947

7 HELD TO MATURITY INVESTMENTS (CONTINUED)

7.2 Kosovo Treasury debt instruments (continued)

ISIN Rate Maturity						2015
	As at January 1	Placements	Interest earned	Matured / Coupons	As at 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	

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 2016	As at December 31 2015
	EUR	EUR
Fees charged on participants' accounts and rebates - payable	373,957	276,599
Difference from refunds of erroneous contributions - payable	1,137	451
Total liabilities towards KPST-0	375,094	277,050

As at December 31, 2016 the balance of payable fees amounting EUR 373,957 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-0 as of reporting date (December 31, 2015: EUR 276,599, of which: EUR 237,612 related to fees charged to participants' accounts; and EUR 38,987 related to re-invested rebates payable).

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, 2016 the balance of payable differences from refunds was EUR 1,137 (December 31, 2015: EUR 451).

9 LIABILITIES FOR REPURCHASED SHARES

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Liabilities for refunds	76,640	154,176
Liabilities for the withdrawal of savings	192,955	1,512,582
Total liabilities for repurchased shares	269,595	1,666,758

As at December 31, 2016 the balance of funds redeemed through refunds and withdrawal of savings (benefit payments) not transferred to respective beneficiaries as of reporting date amounts to EUR 269,595 (2015: EUR 1,666,758).

10 NON-CONTRIBUTIONS

	As at December 31 2016	As at December 31 2015
	EUR	EUR
Non-contributions	22,099	16,029
Total non-contributions	22,099	16,029

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, 2016 the balance of non-contributions not yet returned as of reporting date amounts to EUR 22,099 (2015: EUR 16,029).

11 REVALUATION OF AVAILABLE FOR SALE INVESTMENTS - NET

	Notes	Year ended December 31 2016	Year ended December 31 2015
		EUR	EUR
Vanguard – GSIF	6.1	27,328,908	6,014,502
BNY Mellon – RRF	6.2	3,182,958	4,483,696
AXA – GILB	6.3	8,159,752	(796,761)
Schroders – SISF	6.4	(1,363,500)	(2,943,483)
Schroders – GDG	6.5	872,418	-
Nordea 1 – GSEF	6.6	13,467,202	7,390,692
Nordea 1 – SRF	6.7	6,607,157	4,836,923
KBI – IDEF	6.8	(617,772)	4,403,728
AXA – WFOI	6.9	3,613,001	1,737,267
Pictet – HDS	6.10	3,821,199	2,759,367
Tobam – ABWEF	6.11	(3,522,683)	(1,217,672)
BNP Paribas – PDP	6.12	166,042	-
Amundi – RPI2	6.13	262,553	-
Aquila – RP7 ¹		-	44,541
Net increase on revaluation of available for sale investments for the year		61,977,235	26,712,800

¹ During 2015 KPST redeemed in full its investment in Aquila RP7.

12 INTEREST INCOME FROM HELD TO MATURITY INVESTMENTS

	Notes	Year ended December 31 2016	Year ended December 31 2015
		EUR	EUR
Term deposits	7.1	92,002	17,096
Kosovo Treasury debt instruments	7.2	2,108,199	1,659,750
Total interest income from held to maturity investments		2,200,201	1,676,846

13 OTHER INCOME

During the year ending December 31, 2016 the Governing Board of KPST had decided to refund EUR 440,000 to pension assets from the KPST-0 surplus for investment activities (2015: EUR 1,055,000).

14 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2016	Year ended December 31 2015
	EUR	EUR
Fees for investment activities	5,239,164	4,718,409
Fees for operational activities	1,083,849	1,101,069
Total fees charged on participants' accounts	6,323,013	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-0 for the year ended December 31, 2016 amounted EUR 6,323,013 (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% p.a. 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% p.a. 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% p.a. consisting of:
 - Fees for investment activities at 0.398% p.a.; and
 - Fees for operational activities at 0.082% p.a.

15 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2016	As at December 31 2015
	Number of Accounts	Number of Accounts
Accounts with no withdrawals of savings	508,537	478,982
Accounts with withdrawals of savings	33,386	28,981
Total accounts	541,923	507,963

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 541,923 contributors for whom KPST has opened a pension savings account, 312,672 had contributions belonging to the year ended December 31, 2016 (2015: 297,466 out of 507,963 opened accounts).

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

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

Mainly due to the imperfect nature of collection and reporting process in force prior to the fourth quarter of 2012, when the TAK portal was introduced, funds collected have not been fully allocated to individual participants accounts. Since the portal was introduced the overwhelming majority of contributions are being allocated to individual accounts on the same day as payments are being processed. Predominantly due to employer non-reporting for prior periods, an amount of EUR 9,445,896 was not allocated to individual participants' accounts as at December 31, 2016 (December 31, 2015: EUR 9,971,270).

During 2016 KPST attributed the amount of EUR 399,813 to individual accounts from the amount outstanding as of December 31, 2015.

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

Reason	As at December 31 2016	As at December 31 2015
	EUR	EUR
Employers have not submitted contribution reports	8,291,067	8,872,705
Payment not posted to employer account	635,365	564,039
Invalid contributor ID and Name/Surname combination	519,464	534,526
Total un-allocated contributions	9,445,896	9,971,270
Cumulative contributions unitised up to reporting date	1,262,410,998	1,110,907,262
Un-allocated contributions as percentage of unitised contributions up to reporting date	0.75%	0.90%

15 INDIVIDUAL PARTICIPANTS' ACCOUNTS (CONTINUED)

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

	Notes	As at December 31 2016	As at December 31 2015
		Value EUR	Value EUR
Net participants' assets		1,427,504,211	1,238,091,732
Contribution receivables not utilised on reporting date	5	(9,533,337)	(8,758,404)
Net unutilised participants' assets		1,417,970,874	1,229,333,328
Balance of funds in individual accounts		1,405,721,979	1,216,855,182
Percentage of net unutilised participants' assets in individual accounts		99.14%	98.98%

16 PHASED WITHDRAWAL BENEFIT PAYMENTS

As per the Rule for the withdrawal of pension savings, amended by CBK in August 2016 participants retiring with balances above the threshold of EUR 3,000 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 (2015: threshold of EUR 2,250). Participants receive monthly payments amounting 1% of the balance of their account upon retirement from KPST or EUR 200, whichever is greater (2015: 1% 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	2016	2015
As at January 1		933,353,972	844,608,178
Shares issued for received contributions		113,214,950	103,533,820
Shares redeemed through withdrawal of savings		(14,364,666)	(14,499,644)
Shares redeemed through refunds		(1,396,906)	(288,382)
As at December 31		1,030,807,350	933,353,972
Net unutilised participants' assets	15	1,417,970,874	1,229,333,328
NAV per share on reporting date		EUR 1.3756	EUR 1.3171

18 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.