

KOSOVO PENSION SAVINGS TRUST OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2017

INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO KPST OPERATIONS.....	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-20

Independent Auditor's Report

Grant Thornton L.L.C.
Rexhep Mala 18
10000 Prishtine
Kosovo

T +381 38 247 771
T +381 38 247 801
F +381 38 247 802

To the Board of Governors of Kosovo Pension Savings Trust

Opinion

We have audited the accompanying financial statements of Kosovo Pension Savings Trust – Operations (the “KPST”), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net assets of KPST operations 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 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 KPST 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 Kosovo, 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.

Other matter

The financial statements of Kosovo Pension Savings Trust – Operations for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2017.

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 KPST'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 KPST or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the KPST'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 KPST'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 KPST'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 KPST 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.

Grant Thornton LLC

Grant Thornton LLC

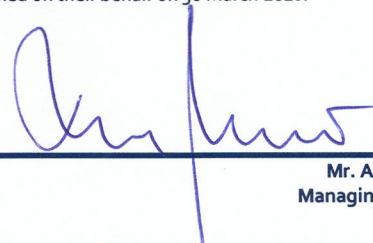
Prishtina, Kosovo
03 April 2018

	Notes	As at December 31 2017	As at December 31 2016
		EUR	EUR
Assets			
Current Assets			
Cash in hand and at banks	4	789,206	1,359,344
Deposits	5	5,109,673	4,503,039
Account receivables	6	474,657	428,498
Prepaid expenses		42,645	40,502
		6,416,181	6,331,383
Non-current Assets			
Property, plant and equipment	7	58,400	42,291
Intangible assets	8	46,981	68,048
		105,381	110,339
Total assets		6,521,562	6,441,722
Liabilities			
Current Liabilities			
Accounts payable and accruals	9	1,057,664	1,088,168
		1,057,664	1,088,168
Net assets attributable to KPST Operations		5,463,898	5,353,554

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 30 March 2018.


 Prof. Dr. Ymer Havolli
 Chairperson of the Board


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


 Mr. Adrian Zalli
 Managing Director

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

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Income			
Fees charged on pension assets	11	7,288,684	6,323,014
Other income	12	92,571	227,939
Total income		7,381,255	6,550,953
Expenses			
<i>Investment expenses</i>			
Open-end vehicle net fees	13	(5,660,809)	(4,719,092)
CBK transfer and maintenance charges		(34,449)	(52,636)
Brokerage, custody and pledge expenses		(8,956)	(8,916)
		(5,704,214)	(4,780,644)
<i>Operational expenses</i>			
Staff costs	14	(598,973)	(560,235)
Governing Board expenses	15	(161,879)	(171,744)
Account statements and correspondence for beneficiaries		(132,598)	(134,969)
Office operating expenses		(79,845)	(82,954)
Depreciation and amortisation	7-8	(71,279)	(129,952)
Software maintenance		(57,358)	(57,145)
CBK supervision charges		(18,670)	(16,258)
Training, travel and other staff expenses		(13,600)	(15,437)
External audit		(9,050)	(10,100)
Communication		(8,973)	(7,760)
Public education and advertising		(7,530)	(11,491)
Disaster recovery - rent and other associated costs		(6,600)	(550)
Professional services/Contractors/Consultants	16	(2,968)	(6,011)
Bank charges		(2,138)	(2,746)
Meetings and conferences		(756)	(2,602)
Other costs		(9,480)	(6,615)
		(1,181,697)	(1,216,569)
Total expenses		(6,885,911)	(5,997,213)
Net surplus for the year		495,344	553,740

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

	Notes	Surplus EUR	Reserve EUR	Total EUR
As at January 1, 2016		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
Net surplus for the year		495,344	-	495,344
Return of surplus to KPST-PA	10	(385,000)	-	(385,000)
As at December 31, 2017		463,898	5,000,000	5,463,898

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

	Notes	Year ended December 31 2017	Year ended December 31 2016
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		495,344	553,740
Adjustments for:			
Depreciation and amortisation	7-8	71,279	129,952
Interest income	12	(71,876)	(77,865)
		494,747	605,827
Interest received		65,242	79,601
		559,989	685,428
Changes in operating assets and liabilities:			
Increase / (Decrease) in accounts payable / accruals		(30,504)	156,688
(Increase) / Decrease in accounts receivable / prepaid expenses		(48,302)	187,214
Net cash flows from operating activities		481,183	1,029,330
Cash flows from investing activities			
Purchase of equipment		(46,690)	(4,410)
Purchase of software and licenses		(19,631)	(20,949)
Decrease in held to maturity investments		-	4,920,399
(Increase) in loans and receivables		(5,100,000)	(4,500,000)
Decrease in loans and receivables		4,500,000	-
Net cash flows (used in) / from investing activities		(666,321)	395,040
Cash flows from financing activities			
Return of surplus to KPST-PA		(385,000)	(440,000)
Net cash flows (used in) financing activities		(385,000)	(440,000)
Increase / (Decrease) in cash and cash equivalents			
		(570,138)	984,370
Cash and cash equivalents at the beginning of the year		1,359,344	374,974
Cash and cash equivalents at the end of the year	4	789,206	1,359,344

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 from the financial statements of the entity.

A Director and 26 permanent staff members managed the day to day operations of the KPST during 2017 (2016: 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:

- **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);

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 standards 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 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019 with early adoption permitted);
- **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 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 valuation of financial statements of the KPST-O in the period of initial application.

Implementing IFRS 9 “Financial Instruments”

Implementing IFRS 9 will impact the classification and measurement of financial assets held as at January 1, 2018 as follows:

- Term deposits with local banks of KPST-O that are classified as loans and receivables and measured at amortised cost under IAS-39, shall in general continue to be measured at amortised cost under IFRS 9.

Impairment of financial assets measured at amortised cost will utilise the Expected Credit Loss model (ECL) – which is not yet fully finalised; however, as the present investments into loans and receivables category are short-term investments with an original maturity of up to 12 months, and are placed with banks which have healthy liquidity metrics as well as no history of default or delay in paying out to debtors the proceeds of term deposit obligations, it is not expected for the ECL model to materially impact valuations or the impairment of deposits.

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 using the effective interest rate.

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%

Gains and losses on disposal of property, plant and equipment are recognised in the statement of comprehensive income in the period in which they occurred.

The useful life of the property, plant and equipment is reviewed and adjusted on an annual basis at minimum, if necessary.

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 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.

3.5 Financial instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and that are not quoted in an active market. For KPST-O investments into loans and receivables are represented by term deposits placed with commercial banks in Kosovo and other receivables.

Loans and receivables are initially recognised at fair value plus transaction costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest is calculated on accrual basis and interest receivable is reflected in the valuation of the instrument.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, with the exception of loans and receivables. During the year ended December 31, 2016 KPST-O had held-to-maturity investments that were represented by investments in Kosovo Treasury bills and bonds. Kosovo Treasury bills and notes at the time of acquisition are valued at their fair values with subsequent valuations done at amortised cost.

Held-for-trading investments

A held-for-trading security refers to debt and equity investments that are purchased with the intent of selling them within a short period of time. These investments are measured at fair value through profit and loss.

KPST-O has not engaged in held-for-trading investments as at 31 December 2017 and 2016.

Available for sale investments

Available for sale investments consist of all other investments not classified as Loans and receivables, Held-to-maturity or Held-for-trading. 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.

KPST-O has not engaged in available-for-sale investments as at 31 December 2017 and 2016.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Those individually significant assets which are not identified as impaired are subsequently included in the basis for collective impairment assessment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss for debt securities classified as available for sale decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.7 Cash and cash equivalents

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

3.8 Taxation

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

3.9 Pension costs

KPST-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 Reserve

Operational reserve is part of net assets attributable to KPST-O (long-term liabilities), and can reach a maximum level of EUR 5,000,000, with funds used only with the decision of the Governing Board in the event of extraordinary events, unpredictable circumstances, or the need for acquisition of real estate for purposes of KPST operations (such as offices). The reserve was initially funded in 2013 from accumulated surpluses, and it can only be replenished from the surplus from operating activities with the decision of the Governing Board. In the event that funds from the reserve are used to cover the costs of the reporting period, they will be recognised in the income statement as income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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 2017. Management estimates the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Notes 7 and 8. However, the factual results may differ due to the technological obsolescence.

3.12 Financial risk management

3.12.1 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 if any.

3.12.2 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 2017			As at December 31 2016		
	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	789,206	-	-	1,359,344	-	-
Deposits	-	606,181	4,503,492	-	-	4,503,039
Account receivables	474,657	-	-	428,498	-	-
	1,263,863	606,181	4,503,492	1,787,842	-	4,503,039
Financial Liabilities						
Account payables	1,057,664	-	-	1,088,168	-	-
	1,057,664	-	-	1,088,168	-	-
Maturity gap	206,199	606,181	4,503,492	699,674	-	4,503,039

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial risk management (continued)

3.12.3 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 2017		As at December 31 2016	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR

Interest-bearing

Fixed rate

Deposits	5,109,673	-	4,503,039	-
Total	5,109,673	-	4,503,039	-

3.12.4 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, 2017 and 2016.

	As at December 31 2017		As at December 31 2016	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR

Financial assets

Cash in hand and at banks	789,206	789,206	1,359,344	1,359,344
Deposits	5,109,673	5,109,673	4,503,039	4,503,039
Account receivables	474,657	474,657	428,498	428,498
	6,373,536	6,373,536	6,290,881	6,290,881

Financial Liabilities

Account payables	1,057,664	1,057,664	1,088,168	1,088,168
	1,057,664	1,057,664	1,088,168	1,088,168

4 CASH IN HAND AND AT BANKS

	As at December 31 2017	As at December 31 2016
	EUR	EUR
ProCredit Bank - Current account	567,710	1,239,006
Raiffeisen Bank Kosovo - Current account	220,811	119,740
NLB Prishtina - Current account	252	252
Banka Kombëtare Tregtare - Dega Prishtinë – Current account	16	-
Banka për Biznes – Current account	3	-
Cash in hand	414	346
Total cash in hand and at banks	789,206	1,359,344

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

5 DEPOSITS

Bank Rate Placed Maturity	As at December 31 2017	As at December 31 2016
	EUR	EUR
BKT 1.45 15.12.2016 15.12.2017	-	4,503,039
BPB 1.60 10.05.2017 10.05.2018	606,181	-
BPB 1.84 15.12.2017 15.12.2018	2,201,885	-
BKT 1.50 15.12.2017 17.12.2018	2,301,607	-
Total deposits	5,109,673	4,503,039

As at December 31, 2017, term deposits are placed with local banks with an original maturity of 1 year.

6 ACCOUNT RECEIVABLES

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Receivables from KPST-PA	398,541	375,095
Rebates receivable from open-end funds	76,116	53,403
Total account receivables	474,657	428,498

As at December 31, 2017 the balance of receivables from KPST-PA amounting EUR 398,541 consists of fees charged on participants' accounts amounting EUR 396,359 as well as differences from refunds of erroneous contributions amounting EUR 2,182 (2016: EUR 373,958, and EUR 1,137 respectively); which were received after 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, 2016	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
Additions for the year	46,690	-	-	-	46,690
Disposals for the year	(7,858)	-	(10,209)	-	(18,067)
As at December 31, 2017	319,948	22,414	58,950	53,365	454,677
Accumulated depreciation					
As at January 1, 2016	(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)
Charge for the year	(21,608)	(905)	(8,068)	-	(30,581)
Eliminated through disposals	7,858	-	10,209	-	18,067
As at December 31, 2017	(276,817)	(20,301)	(45,794)	(53,365)	(396,277)
Net book value					
As at December 31, 2017	43,131	2,113	13,156	-	58,400
As at December 31, 2016	18,049	3,018	21,224	-	42,291

During 2017 KPST has written off fully depreciated assets.

As at 31 December 2017 and 2016, there are no encumbrances over KPST-O assets.

8 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2016	372,831
Additions for the year	20,949
Disposals for the year	(523)
As at December 31, 2016	393,257
Additions for the year	19,631
Disposals for the year	-
As at December 31, 2017	412,888
Accumulated amortisation	
As at January 1, 2016	(249,079)
Charge for the year	(76,653)
Eliminated through disposals	523
As at December 31, 2016	(325,209)
Charge for the year	(40,698)
Eliminated through disposals	-
As at December 31, 2017	(365,907)
Net book value	
As at December 31, 2017	46,981
As at December 31, 2016	68,048

9 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Payables for investment activities	910,184	953,546
Accruals for printing and mailing member account statements	121,213	118,267
Other accounts payable and accruals	26,267	16,355
Total accounts payable	1,057,664	1,088,168

As at December 31, 2017 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 909,441 as well as brokerage fees in the amount of EUR 743 (2016: EUR 952,803 and EUR 743 respectively).

10 SURPLUS

	2017			2016		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,245,535	6,043,149	7,288,684	1,083,849	5,239,165	6,323,014
Non-fee income	87,004	5,567	92,571	227,939	-	227,939
	1,332,539	6,048,716	7,381,255	1,311,788	5,239,165	6,550,953
Expenses for the year	(1,181,697)	(5,704,214)	(6,885,911)	(1,216,569)	(4,780,644)	(5,997,213)
Surplus for the year	150,842	344,502	495,344	95,219	458,521	553,740
Surplus at the start of the year	231,229	122,325	353,554	136,010	103,804	239,814
Return of surplus to KPST-PA	-	(385,000)	(385,000)	-	(440,000)	(440,000)
Surplus at the end of the year	382,071	81,827	463,898	231,229	122,325	353,554

During 2017 the Governing Board decided to refund EUR 385,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a total net surplus balance of EUR 463,898 as of December 31, 2017 (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 2017	Year ended December 31 2016
	EUR	EUR
Fees charged for investment activities	6,043,149	5,239,165
Fees charged for operational activities	1,245,535	1,083,849
Total fees charged on pension assets	7,288,684	6,323,014

Fees are accrued on daily basis according to the formula:

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

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2017 amounted EUR 7,288,684 (2016: EUR 6,323,014).

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law Nr. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2016	February 21, 2016	0.400% p.a.	0.085% p.a.	0.485% p.a.
February 22, 2016	December 31, 2016	0.398% p.a.	0.082% p.a.	0.480% p.a.
January 1, 2017	December 31, 2017	0.393% p.a.	0.081% p.a.	0.474% p.a.

12 OTHER INCOME

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Interest income on deposits	71,876	3,039
Differences from refunds of erroneous contributions	15,128	147,311
Interest income on held to maturity investments	-	74,826
Other income from operational activities	-	2,763
Other income from investment activities	5,567	-
Total other income	92,571	227,939

A single Kosovo Treasury 1-year bill, which matured on December 7, 2016, was part of held-to-maturity investments during the year ended December 31, 2016 which provided the interest income from held to maturity investments in the amount of EUR 74,826.

13 OPEN-END VEHICLE NET FEES

	Year ended December 31 2017			Year ended December 31 2016		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	910,863	(454,909)	455,954	872,731	(418,909)	453,822
BNY Mellon – RRF	798,961	-	798,961	1,212,352	-	1,212,352
AXA – GILB	384,576	(48,072)	336,504	369,104	(46,138)	322,966
Schroders – SISF	51,528	-	51,528	91,476	-	91,476
Schroders - GDG	520,466	-	520,466	112,627	-	112,627
Nordea 1 – GSEF	747,430	-	747,430	510,394	-	510,394
Nordea 1 – SRF	1,342,831	-	1,342,831	1,142,434	-	1,142,434
AXA - WFOI	428,939	-	428,939	306,265	-	306,265
Pictet - HDS	317,056	-	317,056	268,573	-	268,573
BNP Paribas – PDP	616,751	(89,046)	527,705	74,306	(10,604)	63,702
Amundi - RPI2	119,881	-	119,881	6,587	-	6,587
Amundi – 3M I	15,950	(2,396)	13,554	-	-	-
KBI – IDEF ¹	-	-	-	216,798	(11,225)	205,573
Tobam - ABWEF ¹	-	-	-	51,132	(28,811)	22,321
Total open-end vehicle net fees	6,255,232	(594,423)	5,660,809	5,234,779	(515,687)	4,719,092

¹ Fully redeemed during 2016.

14 STAFF COSTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Staff salaries	454,008	440,566
Cost of the Collective Agreement	43,379	55,305
Employer's pension contributions	62,426	47,718
Overtime, bonuses and retention fees	38,032	9,697
Health insurance	1,128	6,949
Total staff costs	598,973	560,235

15 GOVERNING BOARD EXPENSES

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Trustees honoraria	102,382	106,100
Meetings (Travel/Hotel/Other costs)	28,154	36,621
Fiduciary Insurance	22,882	21,731
Employer's pension contributions	8,461	7,292
Total Governing Board expenses	161,879	171,744

16 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Design and public relation related services	1,555	4,068
Translation and proofreading services	1,116	1,716
Notary / Legal and other services	297	227
Total Professional services/Consultants/Contractors	2,968	6,011

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, 2017.