

KOSOVO PENSION SAVINGS TRUST PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2017

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Independent Auditor's Report

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To the Board of Governors of Kosovo Pension Savings Trust

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Opinion

We have audited the accompanying financial statements of Kosovo Pension Savings Trust – Pension Assets (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 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 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 the 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 – Pension Assets 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 the Institution 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 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 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 Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

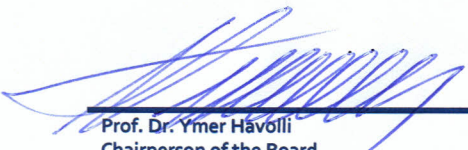
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Prishtina, Kosovo
03 April 2018

	Notes	As at December 31 2017	As at December 31 2016
		EUR	EUR
Assets			
Cash at bank	4	13,667,252	15,935,612
Contribution and other receivables	5	18,243,910	9,790,897
Available for sale investments	6	1,478,150,510	1,303,741,649
Held to maturity investments	7	95,045,140	78,697,947
Deposits	8	50,579,411	20,013,089
		1,655,686,223	1,428,179,194
Liabilities			
Liabilities towards KPST-O	9	398,541	375,094
Liabilities for repurchased shares	10	10,435,361	269,595
Non-contributions	11	49,298	22,099
Interest payable	4	3,618	8,195
		10,886,818	674,983
Net participants' assets		1,644,799,405	1,427,504,211

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. Adrian Zalli
 Managing Director



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

The accompanying notes from 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			
Revaluation of available for sale investments – net	6	100,372,243	61,977,235
Interest income from held to maturity investments	7	1,464,839	2,108,199
Interest income from deposits	8	465,940	92,002
Other income	12	385,000	440,000
		102,688,022	64,617,436
Expenses			
Interest expenses on cash at CBK	4	(130,341)	(57,152)
Fees charged on participants' accounts	13	(7,288,684)	(6,323,013)
		(7,419,025)	(6,380,165)
Increase in net participants' assets		95,268,997	58,237,271

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

	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
As at January 1, 2016	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
Contributions	160,375,531	-	160,375,531
Repurchases due to withdrawal of savings	(22,083,346)	(5,656,301)	(27,739,647)
Repurchases due to return of unallocated funds	(7,026,365)	(2,941,618)	(9,967,983)
Repurchases due to refunds	(626,576)	(15,128)	(641,704)
Increase in net participants' assets	-	95,268,997	95,268,997
As at December 31, 2017	1,308,285,047	336,514,358	1,644,799,405

The accompanying notes from 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			
Increase in net participants' assets		95,268,997	58,237,271
<i>Adjustments for:</i>			
Interest income – net	4,7,8	(1,800,438)	(2,143,049)
		93,468,559	56,094,222
Interest received - net		1,693,972	2,071,893
		95,162,531	58,166,115
<i>Movement of working capital:</i>			
Increase in liabilities for fees	9	22,402	97,358
Increase in liabilities for non-contributions	11	27,199	6,070
Net cash flows from operating activities		95,212,132	58,269,543
Cash flows from investing activities			
(Increase) in available for sale investments		(304,947,316)	(456,293,476)
Decrease in available for sale investments		130,538,455	237,284,777
(Increase) in held to maturity investments		(74,895,335)	(53,848,736)
Decrease in held to maturity investments		50,649,709	64,613,688
(Increase) in deposits		(50,401,000)	(20,000,000)
Decrease in deposits		20,000,000	6,000,000
Net cash flows (used in) investing activities		(229,055,487)	(222,243,747)
Cash flows from financing activities			
Participants' contributions received		159,757,519	151,503,736
Withdrawal of savings		(27,590,720)	(20,528,202)
Refunds		(591,804)	(1,971,736)
Net cash flows from financing activities		131,574,995	129,003,798
(Decrease) in cash and cash equivalents			
		(2,268,360)	(34,970,406)
Cash and cash equivalents at the beginning of the year		15,935,612	50,906,018
Cash and cash equivalents at the end of the year	4	13,667,252	15,935,612

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

1 GENERAL

The Kosovo Pension Savings Trust (hereinafter "KPST"), registered at address: Rr. Agim Ramadani No. 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 from 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:

- **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 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 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 valuation of financial assets and on financial statements of the KPST-PA 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-PA 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;
- Kosovo Treasury debt instruments of KPST-PA that are classified as held-to-maturity and measured at amortised cost under IAS-39, shall in general continue to be measured at amortised cost under IFRS 9;
- Investments in open-end mutual funds of KPST-PA that are classified as available-for-sale and measured at fair value under IAS-39, shall continue to be measured at fair value through profit and loss 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.

As the present investments into loans and receivables are investments with an original maturity of between 12 and 24 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 investments into term deposits with local banks.

Similarly, investments into Kosovo Treasury debt instruments are guaranteed by law. In addition, there has been no history of default or delay by Kosovo Treasury in paying out proceeds of debt instrument obligations. And with the overall public debt of Kosovo as a percentage of GDP being low (17%), it is not expected for the ECL model to materially impact valuations or the impairment of investments into Kosovo Treasury debt instruments.

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 income or expense. 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 Financial Assets

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For KPST-PA 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. For KPST-PA investments into held-to-maturity instruments are 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-PA 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.

Investment securities in the open-end mutual funds held by KPST-PA are classified as available-for-sale. The revaluation of open-end mutual funds based on market prices is recognised as income in the statement of comprehensive income.

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 Financial Assets (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 2017	December 31 2016
		EUR	EUR
Available for sale investments	1	1,478,150,510	1,303,741,649

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2017 and 2016.

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				
Financial assets				
Cash at bank	13,667,252	13,667,252	15,935,612	15,935,612
Held to maturity investments	95,045,140	95,045,140	78,697,947	78,697,947
Deposits	50,579,411	50,579,411	20,013,089	20,013,089
Contribution and other receivables	18,243,910	18,243,910	9,790,897	9,790,897
	177,535,713	177,535,713	124,437,545	124,437,545
Financial liabilities				
Account payables	10,886,818	10,886,818	674,983	674,983
	10,886,818	10,886,818	674,983	674,983

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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.

3.6 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: 55%; 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: 68%; 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 dates:

3.8.1 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 (Kosovo Treasury debt instruments) and loans and receivables (term deposits) with a fixed interest rate, whereas there were no direct investments in floating interest rate securities.

	As at December 31 2017		As at December 31 2016	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Fixed rate				
Held to maturity investments	95,045,140	-	78,697,947	-
Deposits	50,579,411	-	20,013,089	-
Total	145,624,551	-	98,711,036	-

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.2 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 73,906,856 (2016: EUR 65,186,521).

The maximum drawdown for the KPST-PA portfolio for the 1 year period ending December 31, 2017 was 2.1%, and for the 3 year period it was 9.1% (2016: 5.3% and 9.1% respectively).

The ratio of performance vs volatility for the 1 year period ending December 31, 2017 was 2.18; where the annualised volatility was 3.0% and the performance 6.48% (2016: 0.87, 5.1% and 4.44% respectively). On the other hand the ratio for the 3 year period was 0.87; where the annualised volatility was 5.1% and the annualised performance 4.38% (2016: 0.81, 5.3% and 4.32%, respectively).

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, 2017 amounted to EUR 2,365,113 (2016: EUR 1,874,995). Average monthly incoming contributions for the year amounting EUR 13,313,127 (2016: EUR 12,625,311) continued to be well in excess of monthly outgoings.

Investments through Open-end vehicles can all be redeemed within 1-10 days, and all the investments of KPST-PA assets in Kosovo Treasury debt securities have an original maturity of up to seven years whereas term deposits with banks have an original maturity of between 1 and 2 years.

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

	As at December 31 2017		As at December 31 2016	
	Current Up to 1 year	Non-current 1-7 years	Current Up to 1 year	Non-current 1-7 years
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	13,667,252	-	15,935,612	-
Available for sale investments	-	1,478,150,510	-	1,303,741,649
Held to maturity investments	51,826,755	43,218,385	58,726,197	19,971,750
Deposits	37,490,865	13,088,546	20,013,089	-
Contribution and other receivables	18,243,910	-	9,790,897	-
	121,228,782	1,534,457,441	104,465,795	1,323,713,399
Financial liabilities				
Account payables	10,886,818	-	674,983	-
	10,886,818	-	674,983	-
Maturity gap	110,341,964	1,534,457,441	103,790,812	1,323,713,399

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.4 Currency risk

As at reporting dates 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 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 dates no sensitivity analysis is performed on the effects of currency shifts on the comprehensive income for the year ended December 31, 2016 and 2017.

3.8.5 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.

On reporting date KPST-PA assets were exposed to credit risk either via direct investments or indirectly via fixed income and money-market instruments open-end mutual funds.

Description	Applicable ratings	Percentage of KPST assets as at December 31 2017	Percentage of KPST assets as at December 31 2016
<i>Direct investments</i>			
Kosovo Treasuries	-	5.78%	5.55%
Term deposits	-	3.07%	1.41%
		8.85%	6.96%
<i>Indirect fixed income investments</i>			
Prime	AAA	7.96%	12.00%
High	AA+ , AA, AA-	5.69%	5.76%
Upper medium	A+ , A, A-	1.78%	0.85%
Lower medium	BBB+ , BBB, BBB-	4.72%	2.22%
Non-investment speculative	BB+ , BB, BB-	1.12%	0.80%
Highly speculative	B+ , B, B-	0.35%	0.45%
Substantial risk	CCC+	0.03%	0.03%
Extremely speculative	CCC	0.00%	0.00%
In default with little prospect of recovery	CCC- , CC, C	0.00%	0.00%
In default	D	-	-
Not rated	-	0.15%	-
		21.80%	22.11%
<i>Indirect money-market investments</i>			
High	AA+ , AA, AA-	0.06%	-
Upper medium	A+ , A, A-	0.66%	-
Lower medium	BBB+ , BBB, BBB-	0.35%	-
Highly speculative	B+ , B, B-	0.03%	-
		1.10%	-
Total		31.75%	29.07%

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, 2017 was as follows:

Currency - EUR: 40.4%; USD: 37.1%; GBP: 7.0%; JPY: 3.9%; DKK: 2.3%; CAD: 2.2%; CHF: 1.9%; Others (net): 5.2%.

Asset class - Equities: 66.6%; Treasury debt: 18.1%; Corporate debt: 10.6%; Money markets: 7.7%; Net derivatives: -1.8%.

The main risks to which Open-end vehicles themselves were exposed to as at December 31, 2017 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
Amundi – 3M-I	Credit Counterparty

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 2017	As at December 31 2016
	EUR	EUR
At Central Bank of Republic of Kosovo	13,667,252	15,935,612
Total cash at bank	13,667,252	15,935,612

From January 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, 2017 were EUR 130,341 of which EUR 3,618 were payable to the CBK on reporting date. 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 2017	As at December 31 2016
	EUR	EUR
Contributions receivable	10,151,350	9,533,337
Matured bonds and coupon payments receivable	8,092,560	257,560
Total contribution and other receivables	18,243,910	9,790,897

Contributions receivable relate to contributions received in the collection account up to the 18th of the month following the reporting dates and not unitised on reporting dates.

Matured bonds and coupon payments receivable relate to Kosovo Treasury debt instruments maturing - or with coupons due - on reporting dates. Due to reporting dates being a non-working days, the payments were received after reporting dates.

6 AVAILABLE FOR SALE INVESTMENTS

a) Available for sales investments in EUR

							2017
Fund	Note	As at January 1	Additions	Revaluation	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	395,450,768	27,456,685	58,193,281	(910,863)	(112,000,000)	368,189,871
BNY Mellon – RRF	6.2	138,826,337	-	3,113,730	-	(33,000,000)	108,940,067
AXA – GILB	6.3	85,653,672	14,047,394	1,234,152	(384,576)	-	100,550,642
Schroders – SISF	6.4	10,209,928	-	65,366	-	-	10,275,294
Schroders – GDG	6.5	50,872,418	56,000,000	6,427,772	-	-	113,300,190
Nordea 1 – GSEF	6.6	170,162,279	-	3,804,576	-	(27,000,000)	146,966,855
Nordea 1 – SRF	6.7	232,257,002	-	10,311,077	-	-	242,568,079
Amundi – 3M-I	6.8	-	100,001,771	(43,973)	(15,950)	(71,999,794)	27,942,054
AXA – WFOI	6.9	61,183,827	56,005,568	5,213,420	(428,939)	(12,000,000)	109,973,876
Pictet – HDS	6.10	58,778,067	-	1,359,578	-	(27,000,000)	33,137,645
BNP Paribas – PDP	6.11	50,091,736	72,500,000	8,035,218	(616,751)	-	130,010,203
Amundi – RPI2	6.12	50,255,615	33,501,954	2,658,046	(119,881)	-	86,295,734
Total available for sale investments		1,303,741,649	359,513,372	100,372,243	(2,476,960)	(282,999,794)	1,478,150,510

							2016
Fund	Note	As at January 1	Additions	Revaluation	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	348,579,355	20,415,236	27,328,908	(872,731)	-	395,450,768
BNY Mellon – RRF	6.2	170,643,379	30,000,000	3,182,958	-	(65,000,000)	138,826,337
AXA – GILB	6.3	95,816,363	46,661	8,159,752	(369,104)	(18,000,000)	85,653,672
Schroders – SISF	6.4	111,573,428	-	(1,363,500)	-	(100,000,000)	10,209,928
Schroders – GDG	6.5	-	50,000,000	872,418	-	-	50,872,418
Nordea 1 – GSEF	6.6	57,695,077	99,000,000	13,467,202	-	-	170,162,279
Nordea 1 – SRF	6.7	145,649,845	80,000,000	6,607,157	-	-	232,257,002
AXA – WFOI	6.9	27,877,091	30,000,000	3,613,001	(306,265)	-	61,183,827
Pictet – HDS	6.10	32,956,868	22,000,000	3,821,199	-	-	58,778,067
BNP Paribas – PDP	6.11	-	50,000,000	166,042	(74,306)	-	50,091,736
Amundi – RPI2	6.12	-	49,999,649	262,553	(6,587)	-	50,255,615
KBI – IDEF		58,909,446	7,010,252	(617,772)	(216,798)	(65,085,128)	-
Tobam – ABWEF		35,032,098	-	(3,522,683)	(51,132)	(31,458,283)	-
Total available for sale investments		1,084,732,950	438,471,798	61,977,235	(1,896,923)	(279,543,411)	1,303,741,649

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

b) Available for sales investments in Units

					2017
Fund	Note	As at January 1	Additions	Redemptions	As at December 31
		Units	Units	Units	Units
Vanguard – GSIF	6.1	23,965,116	1,500,733	(6,347,346)	19,118,503
BNY Mellon – RRF	6.2	110,319,721	-	(25,692,931)	84,626,790
AXA – GILB	6.3	550,332	89,181	-	639,513
Schroders – SISF	6.4	65,229	-	-	65,229
Schroders – GDG	6.5	314,894	332,622	-	647,516
Nordea 1 – GSEF	6.6	7,017,001	-	(1,117,087)	5,899,914
Nordea 1 – SRF	6.7	12,888,846	-	-	12,888,846
Amundi – 3M-I	6.8	-	92	(68)	24
AXA – WFOI	6.9	449,617	385,380	(83,039)	751,958
Pictet – HDS	6.10	331,649	-	(151,151)	180,498
BNP Paribas – PDP	6.11	355,437	486,762	-	842,199
Amundi – RPI2	6.12	10	7	-	17

					2016
Fund	Note	As at January 1	Additions	Redemptions	As at December 31
		Units	Units	Units	Units
Vanguard – GSIF	6.1	22,732,448	1,232,668	-	23,965,116
BNY Mellon – RRF	6.2	138,385,677	24,197,451	(52,263,407)	110,319,721
AXA – GILB	6.3	668,036	306	(118,010)	550,332
Schroders – SISF	6.4	734,036	-	(668,807)	65,229
Schroders – GDG	6.5	-	314,894	-	314,894
Nordea 1 – GSEF	6.6	2,648,993	4,368,008	-	7,017,001
Nordea 1 – SRF	6.7	8,468,014	4,420,832	-	12,888,846
AXA – WFOI	6.9	209,713	239,904	-	449,617
Pictet – HDS	6.10	202,003	129,646	-	331,649
BNP Paribas – PDP	6.11	-	355,437	-	355,437
Amundi – RPI2	6.12	-	10	-	10
KBI – IDEF		3,869,003	498,833	(4,367,836)	-
Tobam – ABWEF		2,499	-	(2,499)	-

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

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, 2017 was +16.71% (2016: +7.61%). The management fee is calculated daily, at an annualised rate of 0.25% of assets (2016: 0.25%). The fund gives out 0.12% as rebate on the management fee (2016: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2016: 0.13% of assets p.a.). The redemption of EUR 112,000,000 from this fund during 2017 included realised gains of EUR 43,089,430.

6.2 BNY Mellon - Real Return Fund (ISIN IE00B504KX99)

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, 2017 was +2.30% (2016: +2.05%). The management fee was calculated daily at an annualised rate of 0.60% of assets (2016: 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, 2017 amount to EUR 798,961 (2016: EUR 1,212,352). The redemption of EUR 33,000,000 from this fund on September 2017 included realised gains of EUR 4,475,675.

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

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, 2017 was +1.02% (2016: +8.51%). The management fee is calculated daily at an annualised rate of 0.40% of assets (2016: 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. There were no redemptions from this fund during 2017.

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

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, 2017 was +0.64% (2016: +2.98%). The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2016: 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, 2017 amount to EUR 51,528 (2016: EUR 91,476). There were no redemptions from this fund during 2017.

6.5 Schroders - Global Diversified Growth Fund (ISIN LU0776411141)

Schroders Global Diversified Growth Fund 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 for the year ended December 31, 2017 was +8.31% (August-December 31, 2016: +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, 2017 amount to EUR 520,466 (2016: EUR 112,627). There were no redemptions from this fund during 2017.

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

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, 2017 was +2.72% (2016: +11.34%). 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, 2017 amount to EUR 747,430 (2016: EUR 510,394). The redemption of EUR 27,000,000 from this fund on September 2017 included realised gains of EUR 4,075,596.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

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

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, 2017 was +4.44% (2016: +4.77%). 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, 2017 amount to EUR 1,342,831 (2016: EUR 1,142,434). There were no redemptions from this fund during 2017.

6.8 Amundi – 3M (I) (ISIN FR000703813)

During July 2017 the Governing Board invested pension assets in the Amundi – 3M (I) fund which invests in money market instruments and seeks to provide high liquidity and security and serves as an alternative to keeping the funds in the Central Bank of Kosovo. The fund does not pay a dividend therefore all the losses were reflected on the Net Asset Value of the fund. The unit price change since the initial investment in July and up to December 31, 2017 was -0.19%. The management fee is calculated daily at an annualised rate of: 0.057% of assets and is withheld from the fund, thereby reducing the net asset value. When the average value of assets in a given calendar quarter is in excess of EUR 50,000,000 the fund gives out a 0.012% of assets p.a. as rebate on fees which is typically reinvested. The redemption of EUR 71,999,794 from this fund included realised losses of EUR 31,469.

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

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, 2017 was +7.47% (2016: +2.37%). The management fee is calculated daily at an annualised rate of: 0.55% of assets (2016: 0.55%), and is withheld from the fund, thereby reducing the net asset value. The redemption of EUR 12,000,000 from this fund on June 2017 included realised gains of EUR 1,458,235.

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

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, 2017 was +3.59% (2016: +8.63%). 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, 2017 amount to EUR 317,056 (2016: EUR 268,573). The redemption of EUR 27,000,000 from this fund on September 2017 included realised gains of EUR 3,300,748.

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

BNP Paribas IP – Parvest Diversified Dynamic 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 for the year ended December 31, 2017 was +9.54% (October-December 2016: +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 2017.

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

Amundi Rendement Plus I2 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 for the year ended December 31, 2017 was +4.55% (December 6-31, 2016: +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 2017.

6 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

6.13 Open-end vehicle fees and rebates

		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	6.1	910,863	(454,909)	455,954	872,731	(418,909)	453,822
BNY Mellon – RRF	6.2	798,961	-	798,961	1,212,352	-	1,212,352
AXA – GILB	6.3	384,576	(48,072)	336,504	369,104	(46,138)	322,966
Schroders – SISF	6.4	51,528	-	51,528	91,476	-	91,476
Schroders – GDG	6.5	520,466	-	520,466	112,627	-	112,627
Nordea 1 – GSEF	6.6	747,430	-	747,430	510,394	-	510,394
Nordea 1 – SRF	6.7	1,342,831	-	1,342,831	1,142,434	-	1,142,434
Amundi – 3M I	6.8	15,950	(2,396)	13,554	-	-	-
AXA – WFOI	6.9	428,939	-	428,939	306,265	-	306,265
Pictet – HDS	6.10	317,056	-	317,056	268,573	-	268,573
BNP Paribas – PDP	6.11	616,751	(89,046)	527,705	74,306	(10,604)	63,702
Amundi – RPI2	6.12	119,881	-	119,881	6,587	-	6,587
KBI – IDEF ¹		-	-	-	216,798	(11,225)	205,573
Tobam – ABWEF ¹		-	-	-	51,132	(28,811)	22,321
Total open-end vehicle fees and rebates		6,255,232	(594,423)	5,660,809	5,234,779	(515,687)	4,719,092

¹ Fully redeemed during 2016.

7 HELD TO MATURITY INVESTMENTS

ISIN Rate Maturity	2017				
	As at January 1	Placements	Interest earned	Matured / Coupons	As at December 31
	EUR	EUR	EUR	EUR	EUR
KV1206110619 2.80 31.03.2017	352,222	-	2,678	(354,900)	-
KV1206520656 3.20 29.05.2018	7,015,942	-	227,166	(224,000)	7,019,108
KV1206710671 2.80 30.06.2017	10,001,342	-	138,658	(10,140,000)	-
KV1207130716 4.90 31.08.2020	4,305,757	-	232,969	(211,680)	4,327,046
KV1207210725 2.80 30.09.2017	10,070,623	-	209,377	(10,280,000)	-
KV1207610763 2.60 31.12.2017	7,942,503	-	214,197	(8,156,700)	-
KV1208030808 3.50 26.02.2021	4,607,972	-	182,084	(162,400)	4,627,656
KV1108540856 0.50 17.05.2017	7,865,058	-	14,942	(7,880,000)	-
KV1108640860 0.40 14.06.2017	12,507,095	-	22,905	(12,530,000)	-
KV1208710879 0.70 30.06.2018	4,042,078	-	40,448	(28,420)	4,054,106
KV1108940891 0.20 16.08.2017	9,987,355	-	12,645	(10,000,000)	-
KV1210321032 0.80 26.05.2020	-	4,965,244	24,989	(21,000)	4,969,233
KV1110441048 0.40 13.06.2018	-	5,826,435	12,936	-	5,839,371
KV1210511057 0.50 30.06.2019	-	10,000,000	25,205	(25,000)	10,000,205
KV1210631062 1.20 04.07.2022	-	4,541,347	35,811	-	4,577,158
KV1110741079 0.27 15.08.2018	-	14,958,407	15,641	-	14,974,048
KV1210841085 3.20 30.08.2024	-	6,184,186	27,807	-	6,211,993
KV1210931093 1.30 30.09.2022	-	2,661,226	10,485	-	2,671,711
KV1111021101 0.15 11.10.2018	-	12,460,551	4,204	-	12,464,755
KV1211121117 0.90 16.11.2020	-	5,825,506	7,878	-	5,833,384
KV1111241123 0.35 05.12.2018	-	7,473,552	1,814	-	7,475,366
	78,697,947	74,896,454	1,464,839	(60,014,100)	95,045,140

Held to maturity investments of KPST-PA consist of Kosovo Treasury debt instruments with an original maturity of between 6 months and 7 years. Kosovo Treasuries 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.

7 HELD TO MATURITY INVESTMENTS (CONTINUED)

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

8 DEPOSITS

					2017	
Bank Rate Placed Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31	
	EUR	EUR	EUR	EUR	EUR	
BPB 1.80 15.12.2016 15.12.2017	8,006,707	-	137,293	(8,144,000)	-	
BKT 1.45 16.12.2016 18.12.2017	8,005,071	-	111,551	(8,116,622)	-	
TEB 1.00 20.12.2017 20.12.2017	4,001,311	-	38,685	(4,039,996)	-	
BKT 1.10 14.07.2017 16.07.2018	-	4,000,000	20,614	-	4,020,614	
BKT 1.50 14.07.2017 15.07.2019	-	5,000,000	35,137	-	5,035,137	
NLB 1.10 14.07.2017 14.07.2018	-	4,000,000	20,614	-	4,020,614	
NLB 1.50 14.07.2017 14.07.2019	-	5,000,000	35,137	-	5,035,137	
TEB 1.20 14.07.2017 14.07.2018	-	5,000,000	28,109	-	5,028,109	
TEB 1.30 14.07.2017 14.07.2019	-	3,000,000	18,271	-	3,018,271	
BPB 1.80 31.07.2017 31.07.2018	-	501,000	3,805	-	504,805	
NLB 1.10 13.12.2017 13.12.2018	-	3,700,000	2,119	-	3,702,119	
BPB 2.11 15.12.2017 15.12.2018	-	8,300,000	8,157	-	8,308,157	
BKT 1.60 18.12.2017 18.12.2018	-	8,000,000	4,909	-	8,004,909	
TEB 1.20 20.12.2017 20.12.2018	-	3,900,000	1,539	-	3,901,539	
	20,013,089	50,401,000	465,940	(20,300,618)	50,579,411	

					2016	
Bank Rate Placed Maturity	As at January 1	Placements	Interest gained / accrued	Matured	As at December 31	
	EUR	EUR	EUR	EUR	EUR	
BKT 1.70 28.10.2015 27.10.2016	3,009,082	-	41,803	(3,050,885)	-	
BPB 1.50 28.10.2015 28.10.2016	3,008,014	-	37,110	(3,045,124)	-	
BPB 1.80 15.12.2016 15.12.2017	-	8,000,000	6,707	-	8,006,707	
BKT 1.45 16.12.2016 18.12.2017	-	8,000,000	5,071	-	8,005,071	
TEB 1.00 20.12.2016 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	

Term deposits are with an original maturity of 1 or 2 years and 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; TEB – Turkish Enterprise Bank; and NLB – NLB Prishtina).

9 LIABILITIES TOWARDS KPST-0

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Fees charged on participants' accounts and rebates - payable	396,359	373,957
Difference from refunds of erroneous contributions - payable	2,182	1,137
Total liabilities towards KPST-0	398,541	375,094

As at December 31, 2017 the balance of payable fees amounting EUR 396,359 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-0 as of reporting date (2016: EUR 373,957).

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, 2017 the balance of payable differences from refunds was EUR 2,182 (December 31, 2016: EUR 1,137).

10 LIABILITIES FOR REPURCHASED SHARES

	As at December 31 2017	As at December 31 2016
	EUR	EUR
Liabilities for refunds	125,497	76,640
Liabilities for the withdrawal of savings	341,881	192,955
Liabilities for the return of unallocated funds	9,967,983	-
Total liabilities for repurchased shares	10,435,361	269,595

As at December 31, 2017 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 467,378 (2016: EUR 269,595).

In accordance with paragraph 3 of Article 3 of the Law No. 05/L-116 amending paragraph 7.11 of the Article 7 of the Law No. 04/L-101 on Pension Funds in Kosovo, contributions received more than 6 years ago which remained unallocated due to lack of complete and/or correct information – more precisely contributions received during the period of August 2002 and up to September 2011 - were redeemed in December 2017, they were payable to the Kosovo's consolidated budget on reporting date, with the payment executed during January 2018. The value of the redemption amounted EUR 9,967,983 and was comprised of nominal contributions amounting EUR 7,026,365 of net gains amounting EUR 2,941,618.

11 NON-CONTRIBUTIONS

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, 2017 the balance of non-contributions not yet returned as of reporting date amounts to EUR 49,298 (2016: EUR 22,099).

12 OTHER INCOME

During the year ending December 31, 2017 the Governing Board of KPST had decided to refund EUR 385,000 to pension assets from the KPST-O surplus for investment activities (2016: EUR 440,000).

13 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2017	Year ended December 31 2016
	EUR	EUR
Fees for investment activities	6,043,149	5,239,164
Fees for operational activities	1,245,535	1,083,849
Total fees charged on participants' accounts	7,288,684	6,323,013

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 6,323,013).

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.

14 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2017	As at December 31 2016
	Number of Accounts	Number of Accounts
Accounts with no withdrawals of savings	553,015	508,537
Accounts with withdrawals of savings	38,512	33,386
Total accounts	591,527	541,923

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 591,527 contributors for whom KPST has opened a pension savings account, 352,849 had contributions belonging to the year ended December 31, 2017 (2016: 312,672 out of 541,923 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 2,288,327 was not allocated to individual participants' accounts as at December 31, 2017 (December 31, 2016: EUR 9,445,896).

During 2017 KPST attributed the amount of EUR 299,699 to individual accounts from the amount outstanding as of December 31, 2016 and redeemed as unallocated assets contributions amounting EUR 7,026,365.

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

Reason	As at December 31 2017	As at December 31 2016
	EUR	EUR
Employers have not submitted contribution reports	2,041,184	8,291,067
Payment not posted to employer account	18,870	635,365
Invalid contributor ID and Name/Surname combination	228,273	519,464
Total un-allocated contributions	2,288,327	9,445,896
Cumulative contributions unitised up to reporting date	1,422,168,517	1,262,410,998
Un-allocated contributions as percentage of unitised contributions up to reporting date	0.16%	0.75%

14 INDIVIDUAL PARTICIPANTS' ACCOUNTS (CONTINUED)

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

	Notes	As at December 31 2017	As at December 31 2016
		Value EUR	Value EUR
Net participants' assets		1,644,799,405	1,427,504,211
Contribution receivables not unitised on reporting date	5	(10,151,350)	(9,533,337)
Net unitised participants' assets		1,634,648,055	1,417,970,874
Balance of funds in individual accounts		1,631,759,860	1,405,721,979
Percentage of net unitised participants' assets in individual accounts		99.82%	99.14%

15 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 (2016: threshold of EUR 3,000). Participants receive monthly payments amounting 1% of the balance of their account upon retirement from KPST or EUR 200, whichever is greater (2016: 1% or EUR 200 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.

16 STATEMENT OF SHARE MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	Notes	2017	2016
		Units	Units
As at January 1		1,030,807,350	933,353,972
Units issued for received contributions		111,815,014	113,214,950
Units redeemed through withdrawal of savings		(19,436,297)	(14,364,666)
Units redeemed due to return of unallocated funds		(6,798,515)	-
Units redeemed through refunds		(446,350)	(1,396,906)
As at December 31		1,115,941,202	1,030,807,350
Net unitised participants' assets	14	1,634,648,055	1,417,970,874
NAV per share on reporting date		EUR 1.4648	EUR 1.3756

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.