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KOSOVO PENSION SAVINGS TRUST
OPERATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2018

CONTENTS

Independent Auditor's Report

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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 2018, 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 2018, 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 Kosova, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

Independent Auditor's Report (continued)
To the Board of Governors of Kosovo Pension Savings Trust (continued)

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 L.L.C. KOSOVO

Grant Thornton LLC

Prishtina,
03 April 2019

Suzana Stavrikj
Statutory auditor

	Notes	As at December 31 2018	As at December 31 2017
		EUR	EUR
Assets			
Current Assets			
Cash in hand and at banks	4	688,467	789,206
Term deposits	5	4,602,762	5,109,673
Account receivables	6	483,036	474,657
Prepaid expenses		13,173	42,645
		5,787,438	**6,416,181**
Non-current Assets			
Property, plant and equipment	7	636,264	58,400
Intangible assets	8	61,497	46,981
		697,761	**105,381**
Total assets		**6,485,199**	**6,521,562**
Liabilities			
Current Liabilities			
Accounts payable and accruals	9	868,207	1,057,664
		868,207	**1,057,664**
Net assets attributable to KPST Operations		**5,616,992**	**5,463,898**

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 30 March 2019.

Mr. Ruzhdi Morina
Chairperson of the Board

Mr. Adrian Zalli
Managing Director

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

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

	Notes	Year ended December 31 2018	Year ended December 31 2017
		EUR	EUR
Income			
Fees charged on pension assets	11	7,660,347	7,288,684
Other income	12	97,919	92,571
Total income		**7,758,266**	**7,381,255**
Expenses			
Investment expenses			
Open-end vehicle net fees	13	(5,704,406)	(5,660,809)
CBK transfer and maintenance charges		(30,550)	(34,449)
Brokerage, custody and pledge expenses		(8,916)	(8,956)
		(5,743,872)	**(5,704,214)**
Operational expenses			
Staff costs	14	(574,375)	(598,973)
Governing Board expenses	15	(207,862)	(161,879)
Account statements and correspondence for beneficiaries		(107,951)	(132,598)
Office operating expenses		(82,801)	(79,845)
Depreciation and amortisation	7-8	(53,584)	(71,279)
Software maintenance		(38,289)	(57,358)
CBK supervision charges		(18,188)	(18,670)
Public education and advertising		(15,136)	(7,530)
Training, travel and other staff expenses		(10,050)	(13,600)
Professional services/Contractors/Consultants	16	(10,380)	(2,968)
External audit		(9,050)	(9,050)
Communication		(8,298)	(8,973)
Disaster recovery - rent and other associated costs		(6,600)	(6,600)
Bank charges		(2,300)	(2,138)
Other costs		(13,881)	(10,236)
		(1,158,745)	**(1,181,697)**
Total expenses		**(6,902,617)**	**(6,885,911)**
Net surplus for the year		**855,649**	**495,344**

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

	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
As at January 1, 2017		**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**
Changes on initial application of IFRS9 (Note 2.3)		(2,555)	-	**(2,555)**
Restated as at January 1, 2018		**461,343**	**5,000,000**	**5,461,343**
Net surplus for the year		855,649	-	**855,649**
Return of surplus to KPST-PA	**10**	(700,000)	-	**(700,000)**
As at December 31, 2018		**616,992**	**5,000,000**	**5,616,992**

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

	Notes	Year ended December 31 2018	Year ended December 31 2017
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		855,649	495,344
Adjustments for:			
Depreciation and amortisation	7-8	53,584	71,279
Interest income	11	(82,072)	(71,876)
Net movements in impairment provision	5	(252)	-
		826,909	494,747
Interest received		86,253	65,242
		913,162	559,989
Changes in operating assets and liabilities:			
(Decrease) in accounts payable / accruals		(189,457)	(30,504)
(Increase) / Decrease in accounts receivable / prepaid expenses excluding interest receivable	4	21,520	(48,302)
Net cash flows from operating activities		**745,225**	**481,183**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(606,986)	(46,690)
Purchase of software and licenses	8	(38,978)	(19,631)
(Increase) in loans and receivables		(4,600,000)	(5,100,000)
Decrease in loans and receivables		5,100,000	4,500,000
Net cash flows / (used in) investing activities		**(145,964)**	**(666,321)**
Cash flows from financing activities			
Return of surplus to KPST-PA		(700,000)	(385,000)
Net cash flows / (used in) financing activities		**(700,000)**	**(385,000)**
(Decrease) in cash and cash equivalents		**(100,739)**	**(570,138)**
Cash and cash equivalents at the beginning of the year		789,206	1,359,344
Cash and cash equivalents at the end of the year	4	**688,467**	**789,206**

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 2018 (2017: Director and 26 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 as modified by the revaluation of financial assets and liabilities. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-O. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 Changes in accounting policies and disclosures

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

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

- **IFRS 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);
- **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 2014-2017)"** 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 2018 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).

The adoption of the above standards did not have a material impact on the financial statements of KPST-O, with the exception of IFRS 9 details of which are provided below.

<u>Implementation of IFRS 9 "Financial Instruments"</u>
KPST-O has adopted IFRS 9 (issued by IASB in July 2014) with a transition date of January 1, 2018. This has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and the impairment of financial assets and has resulted in adjustments to the amounts previously recognised in the financial statements.

KPST-O did not early adopt IFRS 9 in previous periods. As permitted by the transitional provisions of the standard, KPST-O elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities on transition date were recognised in the opening retained earnings for the current period.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the comparative year.

Set out below are disclosures related to the impact of the adoption of IFRS 9 on KPST-O. Further details of the specific IFRS 9 accounting policies applied in the current period, as well as previous IAS 39 accounting policies applied in the comparative period, are described in more detail in Note 3 of these financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 at December 31, 2017 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
		EUR		EUR
Financial assets				
Cash at bank	Amortised cost (L&R)	789,206	Amortised cost	789,206
Accounts receivable	Amortised cost (L&R)	474,657	Amortised cost	474,657
Term deposits (see Note 5)	Amortised cost (L&R)	5,109,673	Amortised cost	5,107,118
		6,373,536		**6,370,981**
Financial liabilities				
Account payables	Amortised cost	1,057,664	Amortised cost	1,057,664
		1,057,664		**1,057,664**

L&R – Loans & Receivables

There were no changes to the classification of financial liabilities.

(b) Reconciliation of balances in the statement of financial position

KPST-O performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Note 3.2 of these financial statements provides more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories in accordance with IFRS 9 on January 1, 2018:

	IAS 39 carrying amount December 31 2017	Reclassification	Remeasurement	IFRS 9 carrying amount January 1 2018
	EUR	EUR	EUR	EUR
Amortised cost				
Cash at bank	789,206	-	-	789,206
Accounts receivable	474,657	-	-	474,657
Term deposits (see Note 5)	5,109,673	-	(2,555)	5,107,118
	6,373,536	**-**	**(2,555)**	**6,370,981**

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

(c) Reconciliation of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected loss model on January 1, 2018:

	IAS 39 impairment allowance December 31 2017	Reclassification	Remeasurement	IFRS 9 impairment allowance January 1 2018
	EUR	EUR	EUR	EUR
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash at bank	-	-	-	-
Contribution and other receivables	-	-	-	-
Term deposits (see Note 5)	-	-	2,555	2,555
Total	**-**	**-**	**2,555**	**2,555**

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 16 "Leases" (**effective for annual periods beginning on or after 1 January 2019;
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

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.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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-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.

3.2 Financial assets and liabilities

Measurement methods

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.

Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability to the gross carrying amount of a financial asset (the amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When KPST-O revises estimated future cash flows, the carrying amount of respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income
Interest income is calculated applying the effective interest rate to the gross carrying amount of financial assets, except:

- Purchased or originated credit-impaired financial assets (POCI);
- Financial assets that were not POCI, but subsequently became credit-impaired ("Stage 3"), for which the interest revenue is calculated by applying the effective interest rate to the amortised cost (i.e. net of the ECL provision).

Initial recognition and measurement
Financial assets and liabilities are recognised when KPST-O becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which KPST-O commits to purchase or sell the asset.

At the initial recognition, KPST-O measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit and loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, KPST-O recognises the differences as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss;
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1. Financial assets

i) Classification and subsequent measurement

From January 1, 2018, KPST-O has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any recognised and measured expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method;
- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method;
- *Fair value through profit and loss (FVPL)*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit and loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in the 'Interest income' using the effective interest rate method.

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the KPST-O business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, KPST-O classifies its debt instruments into one of the measurement categories: (a) Amortised cost; (b) FVOCI; or (c) FVPL. KPST-O has classified its debt instruments comprised of investments in term deposits placed with commercial banks in Kosovo, as measured at amortised cost. KPST-O has no debt instruments classified as FVOCI.

Business model: the business model reflects how KPST-O manages the assets in order to generate cash flows, and instruments are classified into one of three measurement categories mentioned above. As such, investments in term deposits are classified as amortised cost.

SPPI: where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, KPST-O assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the SPPI test). In making the assessment, KPST-O considers whether the contractual cash flows are consistent with a basic lending agreement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and profit margin that is consistent with the basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial instrument is classified and measured at fair value through profit or loss.

KPST-O reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1. Financial assets (continued)

i) Classification and subsequent measurement (continued)

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares which KPST-O does not hold.

KPST-O subsequently measures all such investments at fair value through profit or loss, except where the KPST-O management, at initial recognition, irrevocably designates an equity investment at fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. In such cases, of which there were none during the reporting period, the fair value gains or losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses, and reversals of impairment losses, are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, would continue to be recognised in profit or loss as other income when the KPST-O rights to receive payments is established.

Gains or losses on equity investments measured at FVPL are included as income or expense in the statement of comprehensive income.

ii) Impairment

KPST-O assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instrument assets carried at amortised cost. KPST-O recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

iii) Derecognition other than on modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) KPST-O transfers substantially all the risks and rewards of ownership, or (b) KPST-O neither transfers nor retains substantially all the risks and rewards of ownership and KPST-O has not retained control. There were no such instances during the reporting period.

3.2.2. Financial liabilities

i) Classification and subsequent measurement

In both the current and prior reporting period, financial liabilities are classified as subsequently measured at amortised cost.

ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.3. 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.

3.3 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.

3.4 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.

Land is not depreciated. 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.

3.5 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.

3.6 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.

3.7 Taxation

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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.

3.9 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. Management also needs to exercise judgement in applying the KPST-O accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis.

This note provides an overview of the areas that involve a higher degree of judgement and complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in related notes together with information about the basis of calculation for each affected line item in the financial statements.

Useful life of depreciable assets
Management reviewed the useful lives of depreciable assets at 31 December 2018. Management estimates the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Notes 7 and 8. However, the factual results may differ due to the technological obsoleteness.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of banks defaulting on term deposits and the resulting losses). Explanation of these inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.11.3, which also sets out key sensitivities of the ECL to changes in these elements.

Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number of relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3.10 Reserve

Operational reserve is part of net assets attributable to KPST-O, 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 profit or loss for the period.

3.11 Financial risk management

3.11.1 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 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 dates all the interest-bearing assets of KPST-O (term deposits) were of fixed interest rates.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial risk management (continued)

3.11.2 Liquidity risk

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

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

	As at December 31 2018			As at December 31 2017		
	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	688,467	-	-	789,206	-	-
Term deposits	-	-	4,602,762	-	606,181	4,503,492
Account receivables	483,036	-	-	474,657	-	-
	1,171,503	**-**	**4,602,762**	**1,263,863**	**606,181**	**4,503,492**
Financial Liabilities						
Account payables	868,207	-	-	1,057,664	-	-
	868,207	**-**	**-**	**1,057,664**	**-**	**-**
Maturity gap	**303,296**	**-**	**4,602,762**	**206,199**	**606,181**	**4,503,492**

3.11.3. 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, 2018 and 2017.

	As at December 31 2018		As at December 31 2017	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	688,467	688,467	789,206	789,206
Term deposits	4,602,762	4,605,065	5,109,673	5,109,673
Accounts receivable	483,036	483,036	474,657	474,657
	5,774,265	**5,776,568**	**6,373,536**	**6,373,536**
Financial liabilities				
Account payables	868,207	868,207	1,057,664	1,057,664
	868,207	**868,207**	**1,057,664**	**1,057,664**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial risk management (continued)

3.11.4 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. Credit risk arises primarily and directly from investments in term deposits, and represents the highest form of risk to KPST-O.

Credit risk measurement
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, except cash flows and the passage of time. The assessment of credit risk entails further estimation as to the likelihood of defaults occurring,

KPST-O measures credit risk using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is the approach used for the purpose of measuring the Expected Credit Loss (ECL) under IFRS 9.

Credit exposures are categorised into one of three stages, depending on the increase in credit risk since initial recognition of the relevant instruments carried at amortised cost, namely: term deposits with commercial banks.

When there is a significant increase in credit risk, an instrument is moved from a 12-month expected loss to a lifetime expected loss. In making the evaluation, the initial credit risk of a financial instrument is measured against its current credit risk, taking into consideration its remaining life of the instrument.

In stages one and two, the interest revenue is the effective interest on gross carrying amount; in stage three it is the effective interest on amortised cost.

In order to calculate 12-month and lifetime expected losses, a model on credit risk (PD, LGD), balance sheet forecast (prepayments, facility withdraws) and interest rates (discount factors) is applied for relevant instruments.

On the credit risk side, PD and LGD models need to satisfy the impairment model.

The PD model estimates the probability of default (PD) consistent with the following principles:

- All relevant information is considered;
- Current economic circumstances are reflected using a best rather than a conservative estimate;
- Provides the likelihood of a default occurring within the next 12 months or during the lifetime of the instrument;
- Includes forward-looking economic forecasts.

The LGD model estimates the loss percentage consistent with the following principles:

- Considers all relevant information and includes a forward-looking element;
- Reflects current economic circumstances (i.e., is a best estimate rather than an economic downturn estimate);
- Considers only costs directly attributable to the collection of recoveries.

The impairment model for term deposits
The impairment model for term deposits with local banks takes into account the history of defaults by the respective banks (of which there were none), basic financial ratios and metrics, as well as the remaining life of the instrument. Each scenario is given an associated probability which in turn is used to evaluate the expected credit losses.

Whether or not an instrument is moved from stage 1 to stages two or three depending on objective evidence of impairment or basic metrics such as:

- default or delinquency in interest or principal payments of deposits; or
- it is becoming probable that the bank will enter bankruptcy or financial reorganisation; or
- Central Bank of the Republic of Kosovo proceeds to revoke the license of the bank; or
- Current ratio falls lower than 0.9; or
- Loans to deposits ratio exceeds 1.1 or falls below 0.4; or
- Capital Adequacy ratio falls below 8.5%; or
- Percentage of bad loans exceeds 13%.

Given the above inputs, all term deposits were evaluated using the Stage 1, 12-month impairment model, with remeasurement on January 1, 2018 amounting EUR 2,555. There were no movements in stages during the year ended December 31, 2018, and net subtractions to the impairment provisions during the year were EUR 252, making for an end balance as at December 31, 2018 of EUR 2,303.

4 CASH IN HAND AND AT BANKS

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Banka për Biznes – Current account	544,426	3
Raiffeisen Bank Kosovo - Current account	84,662	220,811
ProCredit Bank - Current account	58,733	567,710
NLB Prishtina - Current account	244	252
Banka Kombëtare Tregtare – Current account	187	16
Banka Ekonomike – Current account	92	-
ISh Bankasi – Current account	44	-
Cash in hand	79	414
Total cash in hand and at banks	**688,467**	**789,206**

The current accounts of KPST-O do not provide any interest, except the account with Banka për Biznes which provides a progressive interest based on the daily balance of the account starting from August 1, 2018. The interest earned for the year ended December 31, 2018 on this account amounted EUR 2,022, of which EUR 1,595 were received and EUR 427 were receivable on reporting date.

5 TERM DEPOSITS

	2018	2017
	EUR	EUR
As at January 1	**5,109,673**	**4,503,039**
Changes on initial application of IFRS9	(2,555)	-
Restated as at January 1	**5,107,118**	**4,503,039**
New placements	4,600,000	5,100,000
Interest earned	80,050	71,876
Interest - received	(84,658)	(65,242)
Principal - matured	(5,100,000)	(4,500,000)
Net movements in impairment provision	252	-
As at December 31	**4,602,762**	**5,109,673**

As at December 31, 2018 KPST-O investments in term deposits measured at amortised cost consisted of 3 deposits that had original maturities of 1-year, fixed interest rates, an average duration (weighted) of 0.96 years, and average interest rate of 2.38%. The deposits are all placed with commercial banks licensed and operating in the Republic of Kosovo. As at December 31, 2017 investments in term deposits measured at amortised cost consisted of 3 deposits that had original maturities of between 6 months and 1-year, fixed interest rate, an average duration (weighted) of 0.89 years, and average rate/coupon of 1.66%.

Impairment provisions for debt instruments for the year ended December 31, 2018 were derived in accordance with the expected credit loss model as detailed in significant accounting policies. Net movements in impairment provisions were:

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Restated as at January 1	2,555	-
Releases of impairment provisions	(2,555)	
Impairment provision expenses	2,303	
As at 31 December	**2,303**	**-**

6 ACCOUNT RECEIVABLES

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Net receivables from KPST-PA	410,601	398,541
Rebates receivable from open-end funds	71,961	76,116
Other receivables	474	-
Total account receivables	**483,036**	**474,657**

As at December 31, 2018 the balance of net receivables from KPST-PA amounting EUR 410,601 consists of fees charged on participants' accounts amounting EUR 415,160 as well as the negative difference from refunds of erroneous contributions amounting EUR 4,559 (2017: EUR 396,359, and positive difference amounting EUR 2,182 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	Construction in progress and advances	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
As at January 1, 2017	**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**
Additions for the year	14,344	1,489	-	-	591,153	606,986
Disposals for the year	(16,820)	(403)	(6,304)	-	-	(23,527)
As at December 31, 2018	**317,472**	**23,500**	**52,646**	**53,365**	**591,153**	**1,038,136**
Accumulated depreciation						
As at January 1, 2017	**(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)**
Charge for the year	(21,124)	(878)	(7,120)	-	-	(29,122)
Eliminated through disposals	16,820	403	6,304	-	-	23,527
As at December 31, 2018	**(281,121)**	**(20,776)**	**(46,610)**	**(53,365)**	**-**	**(401,872)**
Net book value						
As at December 31, 2018	**36,351**	**2,724**	**6,036**	**-**	**591,153**	**636,264**
As at December 31, 2017	**43,131**	**2,113**	**13,156**	**-**	**-**	**58,400**

Construction in progress and advances
On November 23, 2016 the Government of the Republic of Kosovo took decision No 06/117 in the name of public interest to expropriate the property of the socially-owned enterprise "P.SH. Association SH.A.M. Vllaznim Union", located in cadastral plot, P-7207-0, in Lakërishtë, Pristina Cadastral Zone, Municipality of Pristina, for the purposes of accommodation needs of KPST.

According to the privatisation laws in force – given that the expropriation was occurring in the public interest - KPST has had to pay only 20% of the value of the property amounting EUR 249,012 (evaluated by an independent chartered surveyor at EUR 1,245,060), legitimate claims of creditors ruled as such by the Liquidation Authority in the amount EUR 340,142, and administrative fees of EUR 2,000. As such, in June 2018 KPST paid to the Kosovo Privatisation Agency the full required amount of EUR 591,153.

The Liquidation Authority has refused claims in the amount EUR 133,618, and their decisions can be appealed in the Special Chamber of the Supreme Court of the Republic of Kosovo. As per the expropriation agreement, KPST has pledged and is liable to pay any and all the claims ruled in favour of the appellant by the Special Chamber, and such amounts shall add to the cost of acquiring the expropriated plot.

As at the date of the issue of this report, the title of the property has not yet been transferred in the cadastral register to KPST. When that happens, KPST plans to proceed with the project of building its headquarter offices.

During 2018 KPST has written off fully depreciated assets.

As at 31 December 2018 and 2017, there are no encumbrances over KPST-O assets.

8 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2017	**393,257**
Additions for the year	19,631
Disposals for the year	-
As at December 31, 2017	**412,888**
Additions for the year	38,978
Disposals for the year	-
As at December 31, 2018	**451,866**
Accumulated amortisation	
As at January 1, 2017	**(325,209)**
Charge for the year	(40,698)
Eliminated through disposals	-
As at December 31, 2017	**(365,907)**
Charge for the year	(24,462)
Eliminated through disposals	-
As at December 31, 2018	**(390,369)**
Net book value	
As at December 31, 2018	**61,497**
As at December 31, 2017	**46,981**

9 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Payables for investment activities	711,780	910,184
Accruals for printing and mailing member account statements	93,301	121,213
Other accounts payable and accruals	63,126	26,267
Total accounts payable	**868,207**	**1,057,664**

As at December 31, 2018 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 711,037 as well as brokerage fees in the amount of EUR 743 (2017: EUR 909,441 and EUR 743 respectively).

10 SURPLUS

	2018			2017		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,212,535	6,447,812	**7,660,347**	1,245,535	6,043,149	**7,288,684**
Other income	82,324	15,595	**97,919**	87,004	5,567	**92,571**
	1,294,859	**6,463,407**	**7,758,266**	**1,332,539**	**6,048,716**	**7,381,255**
Expenses for the year	(1,158,745)	(5,743,872)	**(6,902,617)**	(1,181,697)	(5,704,214)	**(6,885,911)**
Surplus for the year	**136,114**	**719,535**	**855,649**	**150,842**	**344,502**	**495,344**
Surplus at the start of the year - restated	379,516	81,827	**461,343**	231,229	122,325	**353,554**
Return of surplus to KPST-PA	-	(700,000)	**(700,000)**	-	(385,000)	**(385,000)**
Surplus at the end of the year	**515,630**	**101,362**	**616,992**	**382,071**	**81,827**	**463,898**

During 2018 the Governing Board decided to refund EUR 700,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a total net surplus balance of EUR 616,992 as of December 31, 2018 (During 2017 the Governing Board decided to refund EUR 385,000 to contributors' pension assets (KPST-PA) from surpluses from investment activities leaving a net surplus balance of EUR 463,898 as of December 31, 2017).

11 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Fees charged for investment activities	6,447,812	6,043,149
Fees charged for operational activities	1,212,535	1,245,535
Total fees charged on pension assets	**7,660,347**	**7,288,684**

Fees are accrued on daily basis according to the formula:

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

Total fees charged on gross participants' assets for the purpose of financing the activities of KPST-O for the year ended December 31, 2018 amounted EUR 7,660,347 (2017: EUR 7,288,684).

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, 2017	January 31, 2018	0.393% p.a.	0.081% p.a.	0.474% p.a.
February 1, 2018	December 31, 2018	0.381% p.a.	0.071% p.a.	0.452% p.a.

12 OTHER INCOME

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Interest income from deposits and current account	82,072	71,876
Other income from investment activities	15,595	5,567
Releases from impairment provisions, net (Note 5)	252	-
Differences from refunds of erroneous contributions	-	15,128
Total other income	**97,919**	**92,571**

13 OPEN-END VEHICLE NET FEES

	Year ended December 31 2018			Year ended December 31 2017		
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	986,158	(510,133)	**476,025**	910,863	(454,909)	**455,954**
BNY Mellon – RRF	488,895	-	**488,895**	798,961	-	**798,961**
AXA – GILB	394,407	(49,301)	**345,106**	384,576	(48,072)	**336,504**
Schroders – SISF	50,969	-	**50,969**	51,528	-	**51,528**
Schroders - GDG	813,018	-	**813,018**	520,466	-	**520,466**
Nordea 1 - GSEF	689,736	-	**689,736**	747,430	-	**747,430**
Nordea 1 - SRF	942,218	-	**942,218**	1,342,831	-	**1,342,831**
Amundi – 3M I	16,719	-	**16,719**	15,950	(2,396)	**13,554**
AXA - WFOI	716,717	-	**716,717**	428,939	-	**428,939**
Pictet - HDS	44,293	-	**44,293**	317,056	-	**317,056**
BNP Paribas – PDP	1,014,653	(147,058)	**867,595**	616,751	(89,046)	**527,705**
Amundi - RPI2	253,115	-	**253,115**	119,881	-	**119,881**
Total open-end vehicle net fees	**6,410,898**	**(706,492)**	**5,704,406**	**6,255,232**	**(594,423)**	**5,660,809**

14 STAFF COSTS

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Staff salaries	462,045	454,008
Employer's pension contributions	63,749	62,426
Cost of the Collective Agreement	39,029	43,379
Health insurance	5,879	1,128
Overtime, bonuses and retention fees	3,673	38,032
Total staff costs	**574,375**	**598,973**

15 GOVERNING BOARD EXPENSES

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Trustees honoraria	123,850	102,382
Meetings (Travel/Hotel/Other costs)	48,708	28,154
Fiduciary Insurance	22,663	22,882
Employer's pension contributions	12,641	8,461
Total Governing Board expenses	**207,862**	**161,879**

16 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Design and public relation related services	4,977	1,555
Internal audit services	2,678	158
Architectonic services	1,801	-
Translation and proofreading services	640	1,116
Notary / Legal and other services	284	139
Total Professional services/Consultants/Contractors	**10,380**	**2,968**

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, 2018.