KOSOVO PENSION SAVINGS TRUST
PENSION ASSETS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2018

Grant Thornton

Independent Auditor's Report

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

T +381 38 247 771
T +381 38 247 801
F +381 38 247 802
www.grantthornton-ks.com

To the Board of Governors of Kosovo Pension Savings Trust

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 2018, 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 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 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 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 the Institution 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 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.

GRANT THORNTON L.L.C. KOSOVO

Grant Thornton LLC

Prishtina,
03 April 2019

Suzana Stavrikj
Statutory auditor

Trusti

	Notes	As at December 31 2018	As at December 31 2017
		EUR	EUR
Assets			
Cash at bank	4	6,245,153	13,667,252
Contribution and other receivables	5	131,347,368	18,243,910
Investments in open-end funds	6	1,227,330,357	1,478,150,510
Kosovo Treasuries	7	208,510,864	95,045,140
Term deposits	7	119,344,093	50,579,411
		1,692,777,835	**1,655,686,223**
Liabilities			
Liabilities towards KPST-O	8	410,601	398,541
Liabilities for repurchased shares	9	424,779	10,435,361
Non-contributions	10	34,257	49,298
Interest payable	4	5,030	3,618
		874,667	**10,886,818**
Net participants' assets		**1,691,903,168**	**1,644,799,405**

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 from 1 to 16 form an integral part of these financial statements

	Notes	Year ended December 31 2018	Year ended December 31 2017
		EUR	EUR
Income			
Interest income from Kosovo Treasuries	7	2,353,410	1,464,839
Interest income from term deposits	7	847,793	465,940
Other income	11	700,000	385,000
Gains from investments in open-end funds - net	6	-	100,372,243
		3,901,203	**102,688,022**
Expenses			
Losses from investments in open-end funds - net	6	(88,540,994)	-
Fees charged on participants' accounts	12	(7,660,347)	(7,288,684)
Impairment provisions	7	(415,300)	-
Interest expenses on cash at CBK	4	(66,673)	(130,341)
		(96,683,314)	**(7,419,025)**
(Decrease) / Increase in net participants' assets		**(92,782,111)**	**95,268,997**

The accompanying notes from 1 to 16 form an integral part of these financial statements

	Participants' Contributions	Retained Earnings	Total
	EUR	EUR	EUR
As at January 1, 2017	**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**
Changes on initial application of IFRS9 (Note 2.3)	-	(177,825)	(177,825)
Restated as at January 1, 2018	**1,308,285,047**	**336,336,533**	**1,644,621,580**
Contributions	173,852,170	-	173,852,170
Repurchases due to withdrawal of savings	(24,832,011)	(6,515,483)	(31,347,494)
Repurchases due to return of unallocated funds	(1,223,238)	(399,260)	(1,622,498)
Repurchases due to refunds	(826,887)	8,408	(818,479)
(Decrease) in net participants' assets	-	(92,782,111)	(92,782,111)
As at December 31, 2018	**1,455,255,081**	**236,648,087**	**1,691,903,168**

The accompanying notes from 1 to 16 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			
Increase in net participants' assets		(92,782,111)	95,268,997
Adjustments for:			
(Gain) / Loss in open end funds (net of fees withheld)		91,922,763	(97,895,283)
Net movement in impairment provisions		415,300	-
Interest income	7	(3,201,203)	(1,930,779)
Interest expenses	4	66,673	130,341
		(3,578,578)	(4,426,724)
Interest received		2,048,667	1,715,009
Interest paid		(65,261)	(134,918)
		(1,595,172)	**(2,846,633)**
Movement of working capital:			
Increase in liabilities for fees	8	18,801	22,402
(Decrease) / Increase in liabilities for non-contributions	10	(15,041)	27,199
(Increase) in redemption and maturity receivables		(111,907,440)	(7,835,000)
Net cash flows from operating activities		**(113,498,852)**	**(10,632,032)**
Cash flows from investing activities			
(Additions) to investments in open-end funds	6	(422,575,982)	(359,513,372)
Redemption of investments in open-end funds	6	581,473,372	282,999,794
(Additions) to Kosovo Treasuries	7	(177,350,917)	(74,896,454)
Matured Kosovo Treasuries (principal)	7	64,278,922	58,599,709
(Additions) to term deposits	7	(106,000,000)	(50,401,000)
Matured term deposits (principal)	7	37,401,000	20,000,000
Net cash flows (used in) investing activities		**(22,773,605)**	**(123,211,323)**
Cash flows from financing activities			
Participants' contributions received		172,656,152	159,757,519
Withdrawal of savings		(42,985,423)	(27,590,720)
Refunds		(820,371)	(591,804)
Net cash flows from financing activities		**128,850,358**	**131,574,995**
(Decrease) in cash and cash equivalents		**(7,422,099)**	**(2,268,360)**
Cash and cash equivalents at the beginning of the year		13,667,252	15,935,612
Cash and cash equivalents at the end of the year	4	**6,245,153**	**13,667,252**

The accompanying notes from 1 to 16 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 on accrual basis, under the historical cost convention as modified by the revaluation of financial assets and liabilities measured at FVPL. Current and comparative data stated in these financial statements are expressed in Euro, which is the functional and presentation currency of KPST-PA. Where necessary, comparative figures have been reclassified in order to conform to the current year presentation.

2.3 Changes in accounting policies and disclosures

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

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

- **IFRS 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 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-PA, with the exception of IFRS 9 details of which are provided below.

Implementation of IFRS 9 "Financial Instruments"
KPST-PA 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-PA did not early adopt IFRS 9 in previous periods. As permitted by the transitional provisions of the standard, KPST-PA 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-PA. 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 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)	13,667,252	Amortised cost	13,667,252
Contribution and other receivables	Amortised cost (L&R)	18,243,910	Amortised cost	18,243,910
Deposits	Amortised cost (L&R)	50,579,411	Amortised cost	50,554,121
Kosovo Treasuries	Amortised cost (HTM)	95,045,140	Amortised cost	94,892,605
Investments in open-end funds	AFS (*Designated*)	1,478,150,510	FVPL (*Designated*)	1,478,150,510
		1,655,686,223		**1,655,508,398**
Financial liabilities				
Account payables	Amortised cost	10,886,818	Amortised cost	10,886,818
		10,886,818		**10,886,818**

L&R – Loans & Receivables; HTM – Held to maturity; AFS – Available For Sale.

There were no changes to the classification of financial liabilities.

(b) Reconciliation of balances in the statement of financial position
KPST-PA 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	13,667,252	-	-	13,667,252
Contribution and other receivables	18,243,910	-	-	18,243,910
Deposits (see Note 7)	50,579,411	-	(25,290)	50,554,121
Kosovo Treasuries (see Note 7)	95,045,140	-	(152,535)	94,892,605
	177,535,713	**-**	**(177,825)**	**177,357,888**
Fair value through profit and loss (FVPL)				
Investments in open-end funds (Added from AFS through profit and loss)	-	1,478,150,510	-	1,478,150,510
	-	**1,478,150,510**	**-**	**1,478,150,510**
Available for sale (AFS)				
Investments in open-end funds (Transfer to FVPL)	1,478,150,510	(1,478,150,510)	-	-
	1,478,150,510	(1,478,150,510)	**-**	**-**

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	-	-	-	-
Deposits (see Note 7)	-	-	25,290	25,290
	-	**-**	**25,290**	**25,290**
Held-to-maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Kosovo Treasuries (see Note 7)	-	-	152,535	152,535
	-	**-**	**152,535**	**152,535**
Total	**-**	**-**	**177,825**	**177,825**

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 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-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.

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-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.

3.2 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-PA 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-PA 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-PA commits to purchase or sell the asset.

After the initial recognition, KPST-PA 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-PA 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-PA 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-PA business model for managing the asset; and
- the cash flow characteristics of the asset.

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

Business model: the business model reflects how KPST-PA 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 as well as those in Kosovo Treasury bills and bonds 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-PA assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the SPPI test). In making the assessment, KPST-PA 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-PA 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 and open-end funds
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-PA does not hold, but also shares in open-end funds which KPST-PA does hold.

KPST-PA classifies and subsequently measures all such investments at fair value through profit or loss, except where the KPST-PA 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, continue to be recognised in profit or loss as other income when the KPST-PA rights to receive payments is established.

KPST-PA has classified its investments in open-end funds as measured at FVPL and has no equity investments classified as FVOCI.

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

ii) Impairment

KPST-PA assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instrument assets carried at amortised cost. KPST-PA 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-PA transfers substantially all the risks and rewards of ownership, or (b) KPST-PA neither transfers nor retains substantially all the risks and rewards of ownership and KPST-PA 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, the financial instruments of KPST-PA measured at fair value are explained as follows:

Class of investment	Level	As at December 31 2018	As at December 31 2017
		EUR	EUR
Investments in open-end funds	1	1,227,330,357	1,478,150,510

Fair value measurements listed above are recurring. There were no movements of funds between levels during the year ending December 31, 2018 and 2017.

The fair value of other financial assets as at December 31, 2018 and 2017 approximates their carrying amounts due to short term maturities.

3.3 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-PA 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.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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 Kosovo Treasuries defaulting and the resulting losses). Explanation of these inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.8.5, 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.

3.4 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Contributions

Contributions from participants are accounted for on accrual basis.

3.6 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.

3.7 Taxation

KPST pension assets are exempt from the payment of corporate profit taxes.

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. Liabilities of KPST-PA 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 performed.

When it comes to assessing the risk of financial instruments which form part of assets of KPST-PA, most investments are through Open-end funds, which effectively means that the day-to-day risk management function is outsourced to the providers of Open-end funds. 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 funds 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 funds: 56%; Multi-asset class funds: 55%; Pure debt securities funds including Kosovo treasury bonds: 34%; and money markets and Kosovo treasury bills: 20%); 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 funds: 60%; Risk targeted/Risk managed/ Absolute return funds: 68%; and Pure income funds: 30%). Within this framework the Governing Board makes decisions whether to increase or reduce exposure to a certain Open-end fund depending on fund's performance, underlying holdings, or its correlation with other Open-end-funds, as well as beliefs for the short and medium-term prospect for the given asset class and investment style of the Open-end fund. 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 funds, 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 Kosovo Treasury bills and bonds and term deposits with commercial banks with a fixed interest rate, whereas there were no direct investments in floating interest rate securities.

	As at December 31 2018		As at December 31 2017	
	Assets	Liabilities	Assets	Liabilities
	EUR	EUR	EUR	EUR
Fixed rate				
Kosovo Treasuries	208,510,864	-	95,045,140	-
Term deposits	119,344,093		50,579,411	
Total	**327,854,957**	**-**	**145,624,551**	**-**

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 funds, 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 funds 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 funds
Had the prices of Open-end funds been 5% higher/lower on reporting date, net participants' assets would have been increased/decreased by EUR 61,366,009 (2017: EUR 73,906,856).

The maximum drawdown for the KPST-PA portfolio for the 1-year period ending December 31, 2018 was 8.2%, and for the 3-year period it was 8.2% (2017: 2.1% and 9.1% respectively).

The ratio of performance vs volatility for the 1-year period ending December 31, 2018 was -1.06; where the annualised volatility was 5.0% and the performance -5.28% (2017: 2.18, 3.0% and 6.48% respectively). On the other hand, the ratio for the 3-year period was 0.39; where the annualised volatility was 4.5% and the annualised performance 1.75% (2017: 0.87, 5.1% and 4.38%, 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, 2018 amounted to EUR 2,747,499 (2017: EUR 2,365,113). Average monthly incoming contributions for the year amounting EUR 14,388,013 (2017: EUR 13,313,127) continued to be well in excess of monthly outgoings.

Investments measured at fair value (through Open-end funds) can all be redeemed within 1-5 days but are presented here as investments with a long-term horizon. Investments of KPST-PA assets in Kosovo Treasury debt securities have an original maturity of up to ten 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 2018			As at December 31 2017		
	Up to 1 year	1-5 years	5-10 years	Up to 1 year	1-5 years	5-10 years
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash at bank	6,245,153	-	-	13,667,252	-	-
Open-end funds	-	-	1,227,330,357	-	-	1,478,150,510
Kosovo Treasuries	50,863,036	136,400,021	21,247,807	51,826,754	37,006,393	6,211,993
Term deposits	76,243,274	43,100,819	-	37,490,866	13,088,545	-
Contribution and other receivables	131,347,368	-	-	18,243,910	-	-
	264,698,831	**179,500,840**	**1,248,578,164**	**121,228,782**	**50,094,938**	**1,484,362,503**
Financial liabilities						
Account payables	874,667	-	-	10,886,818	-	-
	874,667	**-**	**-**	**10,886,818**	**-**	**-**
Maturity gap	**263,824,164**	**179,500,840**	**1,248,578,164**	**110,341,964**	**50,094,938**	**1,484,362,503**

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. To manage the currency risk through Open-end funds, the investment policy of KPST allows only up to 10 percent of KPST-PA assets to be invested in Open-end funds which are not denominated in EUR and provide no EUR hedging.

The Open-end funds through which KPST invested on reporting date were all EUR denominated or EUR hedged; whereby managers of Open-end funds 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, 2017 and 2018.

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. Credit risk arises primarily and directly from investments in Kosovo Treasuries and investments in term deposits, and represents the second highest form of risk to KPST-PA.

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-PA 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: Kosovo Treasury bills / bonds as well as 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 withdrawals) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.5 Credit risk (continued)

The impairment model for Kosovo Treasuries
The impairment model for Kosovo Treasuries takes into account the history of defaults of Kosovo Treasuries (of which there were none) as well as the constitutional and legal guarantees obligating the government to prioritise the settlement of public debt in advance of any other payments. The model also takes into account the level of public debt and 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 depends on objective evidence of impairment or basic macro-economic data such as:

- significant financial difficulty of the country of Kosovo; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the country of Kosovo will enter bankruptcy or financial reorganisation; or
- debt to GDP exceeds 80%.

Given the above inputs, all Kosovo Treasury instruments were evaluated using the Stage 1, 12-month impairment model, with remeasurement on January 1, 2018 amounting EUR 152,535. There were no movements in stages during the year ended December 31, 2018, and net additions to the impairment provisions during the year were EUR 380,888, making for an end balance as at December 31, 2018 of EUR 533,423.

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 depends 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 25,290. There were no movements in stages during the year ended December 31, 2018, and net additions to the impairment provisions during the year were EUR 34,412, making for an end balance as at December 31, 2018 of EUR 59,702.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.6. 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	6,245,153	6,245,153	13,667,252	13,667,252
Kosovo Treasuries	208,510,864	209,044,287	95,045,140	95,045,140
Term deposits	119,344,093	119,403,795	50,579,411	50,579,411
Contribution and other receivables	131,347,368	131,347,368	18,243,910	18,243,910
	465,447,478	**466,040,603**	**177,535,713**	**177,535,713**
Financial liabilities				
Account payables	874,667	874,667	10,886,818	10,886,818
	874,667	**874,667**	**10,886,818**	**10,886,818**

3.8.7 Exposure through indirect holdings

Majority of KPST-PA assets are invested through open-end funds 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 fund.

The full set of risks exposed to as at December 31, 2018 by each open-end fund can be obtained from their respective fund prospectus, with the main risks summarised below:

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
BNP Paribas – PDP	Credit | Liquidity | Counterparty | Operating and Custody | Derivatives
Amundi – RPI2	Credit | Liquidity | Counterparty | Derivatives
Amundi – 3M-I	Credit | Counterparty

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial risk management (continued)

3.8.7 Exposure through indirect holdings (continued)

When the breakdown of all investments, direct and indirect, is considered, the exposure of KPST-PA assets as at December 31, 2018 was as follows:

Currency - EUR: 51.8%; USD: 31.3%; GBP: 5.2%; JPY: 3.3%; CAD: 2.2%; CHF: 1.5%; AUD: 1.5%; DKK: 1.3%; Others (net): 1.9%.

Asset class - Equities: 45.5%; Treasury debt: 27.2%; Corporate debt: 11.1%; Money markets: 18.2%; Net derivatives: -2.0%.

The breakdown of ratings of direct fixed income and money-market instruments, as well as indirect ones held through open-end funds is provided below. No provisions are accounted for indirect fixed income instruments as they are measured at fair value through profit or loss in respective open-end funds.

Description	Applicable ratings	Percentage of KPST assets as at December 31 2018	Percentage of KPST assets as at December 31 2017
Direct investments			
Kosovo Treasuries	-	12.43%	5.78%
Term deposits	-	7.10%	3.07%
		19.53%	**8.85%**
Indirect fixed income investments			
Prime	AAA	6.97%	7.96%
High	AA+ | AA | AA-	7.22%	5.69%
Upper medium	A+ | A | A-	3.28%	1.78%
Lower medium	BBB+ | BBB | BBB-	5.10%	4.72%
Non-investment speculative	BB+ | BB | BB-	1.27%	1.12%
Highly speculative	B+ | B | B-	0.64%	0.35%
Substantial risk	CCC+	0.02%	0.03%
Extremely speculative	CCC	0.01%	0.00%
In default with little prospect of recovery	CCC- | CC | C	0.00%	0.00%
Not rated	-	0.54%	0.15%
		25.05%	**21.80%**
Indirect money-market investments			
High	AA+ | AA | AA-	0.10%	0.06%
Upper medium	A+ | A | A-	1.57%	0.66%
Lower medium	BBB+ | BBB | BBB-	0.31%	0.35%
Highly speculative	B+ | B | B-	0.01%	0.03%
		1.99%	**1.10%**

4 CASH AT BANK

	As at December 31 2018	As at December 31 2017
	EUR	EUR
At Central Bank of Republic of Kosovo	6,245,153	13,667,252
Total cash at bank	**6,245,153**	**13,667,252**

During years ended December 31, 2018 and December 31, 2017 a negative interest of -0.40% p.a. was applied on the daily balance of the KPST-PA cash account with the Central Bank of Kosovo. The total interest expenses for the year ending December 31, 2018 were EUR 66,673 of which EUR 5,030 were payable to the CBK on reporting date. 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.

5 CONTRIBUTION AND OTHER RECEIVABLES

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Contributions receivable	11,347,368	10,151,350
Matured bonds and coupon payments receivable	-	8,092,560
Receivables from open-end funds	120,000,000	-
Total contribution and other receivables	**131,347,368**	**18,243,910**

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 non-working days, the payments were received after reporting dates.

Receivables for redemptions from open-end funds relate to redemptions in a given reporting year that were received in the next reporting period.

6 INVESTMENTS IN OPEN-END FUNDS

a) Investments in open-end funds (in EUR)

							2018
Fund	Note	As at January 1	Additions	Gains or losses	Fees withheld	Redemptions	As at December 31
		EUR	EUR	EUR	EUR	EUR	EUR
Vanguard – GSIF	6.1	368,189,871	32,509,398	(36,036,485)	(986,158)	-	363,676,626
BNY Mellon – RRF	6.2	108,940,067	110,000,000	(1,683,702)	-	(72,000,000)	145,256,365
AXA – GILB	6.3	100,550,642	49,414	(2,611,784)	(394,407)	-	97,593,865
Schroders – SISF	6.4	10,275,294	-	(462,995)	-	-	9,812,299
Schroders – GDG	6.5	113,300,190	36,000,000	(10,406,847)	-	(83,000,000)	55,893,343
Nordea 1 – GSEF	6.6	146,966,855	21,000,000	(5,359,409)	-	-	162,607,446
Nordea 1 – SRF	6.7	242,568,079	-	(7,562,450)	-	(111,000,000)	124,005,629
Amundi – 3M-I	6.8	27,942,054	97,000,402	(78,317)	(16,719)	(64,999,556)	59,847,864
AXA – WFOI	6.9	109,973,876	40,015,595	(8,365,851)	(716,717)	(87,000,000)	53,906,903
Pictet – HDS	6.10	33,137,645	-	(1,664,192)	-	(31,473,453)	-
BNP Paribas – PDP	6.11	130,010,203	22,000,000	(8,775,311)	(1,014,653)	(90,000,000)	52,220,239
Amundi - RPI2	6.12	86,295,734	64,001,173	(5,533,651)	(253,115)	(42,000,363)	102,509,778
Total investments in open-end funds		**1,478,150,510**	**422,575,982**	**(88,540,994)**	**(3,381,769)**	**(581,473,372)**	**1,227,330,357**

							2017
Fund	Note	As at January 1	Additions	Gains or losses	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 investments in open-end funds		**1,303,741,649**	**359,513,372**	**100,372,243**	**(2,476,960)**	**(282,999,794)**	**1,478,150,510**

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

b) Investments in open-end funds (in Units)

					2018
Fund	Note	As at January 1	Additions	Redemptions	As at December 31
		Units	Units	Units	Units
Vanguard – GSIF	6.1	19,118,503	1,749,472	-	20,867,975
BNY Mellon – RRF	6.2	84,626,790	85,736,732	(57,288,351)	113,075,171
AXA – GILB	6.3	639,513	321	-	639,834
Schroders – SISF	6.4	65,229	-	-	65,229
Schroders – GDG	6.5	647,516	209,452	(509,102)	347,866
Nordea 1 – GSEF	6.6	5,899,914	808,314	-	6,708,228
Nordea 1 – SRF	6.7	12,888,846	-	(6,014,920)	6,873,926
Amundi – 3M-I	6.8	24	95	(62)	57
AXA – WFOI	6.9	751,958	276,157	(629,307)	398,808
Pictet – HDS	6.10	180,498	-	(180,498)	-
BNP Paribas – PDP	6.11	842,199	146,921	(624,326)	364,794
Amundi - RPI2	6.12	17	13	(9)	21

					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

6 INVESTMENTS IN OPEN-END FUNDS (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, 2018 was -9.51% (2017: +16.71%). The management fee is calculated daily, at an annualised rate of 0.25% of assets (2017: 0.25%). The fund gives out 0.12% as rebate on the management fee (2017: 0.12%) which is reinvested in the following month, making net management fees charged by the fund 0.13% of assets p.a. (2017: 0.13% of assets p.a.). There were no redemptions from this fund during 2018.

6.2 BNY Mellon - Real Return Fund (ISIN IE00B504KX99)

The BNY Mellon Real Return Fund is an absolute return fund 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, 2018 was -0.21% (2017: +2.30%). The management fee was calculated daily at an annualised rate of 0.60% of assets (2017: 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, 2018 amount to EUR 488,895 (2017: EUR 798,961). The redemption of EUR 72,000,000 from this fund in March 2018 included realised gains of EUR 8,398,398.

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 fund 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, 2018 was -2.99% (2017: +1.02%). The management fee is calculated daily at an annualised rate of 0.40% of assets (2017: 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 2018.

6.4 Schroders - International Strategic Bond Euro Hedged (ISIN LU0201724265)

Schroders International Strategic Bond fund is a Luxemburg 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, 2018 was -4.51% (2017: +0.64%). The management fee is calculated quarterly, at an annualised rate of 0.50% of assets (2017: 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, 2018 amount to EUR 50,969 (2017: EUR 51,528). There were no redemptions from this fund during 2018.

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, 2018 was -8.17% (2017: +8.31%). 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, 2018 amount to EUR 813,018 (2017: EUR 520,466). The redemptions of EUR 83,000,000 from this fund during October and December 2018 included realised losses of EUR 1,358,480.

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, 2018 was -2.69% (2017: +2.72%). 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, 2018 amount to EUR 689,736 (2017: EUR 747,430). There were no redemptions from this fund during 2018.

6 INVESTMENTS IN OPEN-END FUNDS (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, 2018 was -4.14% (2017: +4.44%). 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, 2018 amount to EUR 942,218 (2017: EUR 1,342,831). The redemptions of EUR 111,000,000 from this fund during March and October 2018 included realised gains of EUR 10,197,907.

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

Amundi – 3M (I) is a 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 during the year ended December 31, 2018 was -0.32% (2017: -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 redemptions of EUR 64,999,556 from this fund during June and December 2018 included realised losses of EUR 82,899.

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, 2018 was -7.58% (2017: +7.47%). The management fee is calculated daily at an annualised rate of 0.55% of assets (2017: 0.55%), and is withheld from the fund, thereby reducing the net asset value. The redemptions of EUR 87,000,000 from this fund in October and December 2018 included realised gains of EUR 396,675.

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 up to the full redemption on March 21, 2018 was -5.02% (2017: +3.59%). 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, 2018 amount to EUR 44,263 (2017: EUR 317,056). The full redemption of EUR 31,473,453 from this fund in March 2018 included realised gains of EUR 3,172,705.

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, 2018 was -7.27% (2017: +9.54%). 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. The redemptions of EUR 90,000,000 from this fund in October and December 2018 included realised losses of EUR 1,207,465.

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, 2018 was -4.38% (2017: +4.55%). 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. The redemption of EUR 42,000,362 from this fund in October 2018 included realised losses of EUR 449,782.

6 INVESTMENTS IN OPEN-END FUNDS (CONTINUED)

6.13 Open-end fund fees and rebates

		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	6.1	986,158	(510,133)	**476,025**	910,863	(454,909)	**455,954**
BNY Mellon – RRF	6.2	488,895	-	**488,895**	798,961	-	**798,961**
AXA – GILB	6.3	394,407	(49,301)	**345,106**	384,576	(48,072)	**336,504**
Schroders – SISF	6.4	50,969	-	**50,969**	51,528	-	**51,528**
Schroders - GDG	6.5	813,018	-	**813,018**	520,466	-	**520,466**
Nordea 1 - GSEF	6.6	689,736	-	**689,736**	747,430	-	**747,430**
Nordea 1 - SRF	6.7	942,218	-	**942,218**	1,342,831	-	**1,342,831**
Amundi – 3M I	6.8	16,719	-	**16,719**	15,950	(2,396)	**13,554**
AXA - WFOI	6.9	716,717	-	**716,717**	428,939	-	**428,939**
Pictet - HDS	6.10	44,293	-	**44,293**	317,056	-	**317,056**
BNP Paribas – PDP	6.11	1,014,653	(147,058)	**867,595**	616,751	(89,046)	**527,705**
Amundi - RPI2	6.12	253,115	-	**253,115**	119,881	-	**119,881**
Total open-end fund fees and rebates		**6,410,898**	**(706,492)**	**5,704,406**	**6,255,232**	**(594,423)**	**5,660,809**

7 KOSOVO TREASURIES AND TERM DEPOSITS

	Kosovo Treasuries	Term deposits	Debt instruments
	EUR	EUR	EUR
As at January 1, 2017	**78,697,947**	**20,013,089**	**98,711,036**
New placements	74,896,454	50,401,000	125,297,454
Interest earned	1,464,839	465,940	1,930,779
Interest / coupons - matured	(1,414,391)	(300,618)	(1,715,009)
Principal - matured	(58,599,709)	(20,000,000)	(78,599,709)
As at December 31, 2017	**95,045,140**	**50,579,411**	**145,624,551**
Changes on initial application of IFRS9	(152,535)	(25,290)	(177,825)
Restated as at January 1, 2018	**94,892,605**	**50,554,121**	**145,446,726**
New placements	177,350,917	106,000,000	283,350,917
Interest earned	2,353,410	847,793	3,201,203
Interest / coupons - matured	(1,426,258)	(622,409)	(2,048,667)
Principal - matured	(64,278,922)	(37,401,000)	(101,679,922)
Net movement in impairment provisions	(380,888)	(34,412)	(415,300)
As at December 31, 2018	**208,510,864**	**119,344,093**	**327,854,957**

As at December 31, 2018 KPST-PA investments in Kosovo Treasury debt instruments measured at amortised cost consisted of 25 securities with EUR 209,060,000 in nominal value, original maturities of between 6 months and 10 years, average duration (weighted) of 2.79 years, and average rate/coupon of 1.79%. As at December 31, 2017 they consisted of 10 securities with EUR 103,130,000 in nominal value, original maturities of between 6 months and 7 years, average duration of 1.67 years, and average rate/coupon of 1.33%. Kosovo Treasuries are not rated.

As at December 31, 2018 KPST-PA investments in term deposits measured at amortised cost consisted of 20 deposits with banks that had original maturities of between 1 and 2 years, fixed interest rates, an average duration (weighted) of 1.19 years, and average interest rate of 1.55%. The banks are all commercial banks licensed and operating in the Republic of Kosovo (Banka Kombëtare Tregtare, Banka për Biznes, Turkish Enterprise Bank, NLB Bank, Raiffeisen Bank Kosovo, ProCredit Bank, ISh Bankasi, and Banka Ekonomike).

As at December 31, 2017 investments in term deposits measured at amortised cost consisted of 11 deposits that had original maturities of between 1 and 2 years, fixed interest rates, an average duration (weighted) of 0.99 years, and average rate of 1.46%.

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 for the year ended December 31, 2018 for the above instruments were:

	Kosovo Treasuries	Term deposits	Debt instruments
	EUR	EUR	EUR
Releases in impairment provision	63,954	18,745	82,699
Additions to impairment provision	(444,842)	(53,157)	(497,999)
Net movement in impairment provisions	**(380,888)**	**(34,412)**	**(415,300)**

There was no movement of impairment provisions during the year ended December 31, 2017.

8 LIABILITIES TOWARDS KPST-O

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Fees charged on participants' accounts - payable	415,160	396,359
(Less) / Plus: Difference from refunds of erroneous contributions	(4,559)	2,182
Net liabilities towards KPST-O	**410,601**	**398,541**

As at December 31, 2018 the balance of payable fees amounting EUR 415,160 relates to KPST fees charged to the participants' accounts which were not transferred to KPST-O as of reporting date (2017: EUR 396,359). The fee liabilities are increased, or (netted), with the difference between the value of shares redeemed for the purpose of the refund (the redemption value) and the amount refunded to the payee (the nominal contribution). As at December 31, 2018 the balance of differences from refunds was EUR -4,559, making for net liabilities towards KPST-O in the amount EUR 410,601 (2017: EUR 2,182 and EUR 398,541, respectively).

Refunds are necessary in cases when, what was initially considered a pension contribution and units were issued for it, is proven to have been paid in error or was overpaid. In such cases, only the nominal amount is refunded to the payer.

9 LIABILITIES FOR REPURCHASED SHARES

	As at December 31 2018	As at December 31 2017
	EUR	EUR
Liabilities for refunds	130,346	125,497
Liabilities for the withdrawal of savings	294,433	341,881
Liabilities for the return of unallocated funds	-	9,967,983
Total liabilities for repurchased shares	**424,779**	**10,435,361**

As at December 31, 2018 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 424,779 (2017: EUR 467,378).

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, allows for the redemption of units of contributions that were: a) received more than 6 years ago; and b) which remain unallocated despite all the efforts of the KPST administration to find their rightful owner. The proceeds of such redemptions are paid to the Kosovo Consolidated Budget via the Tax Administration of Kosovo.

In December 2018 units related to unallocated contributions paid before December 31, 2012 were redeemed. The value of the redemption was EUR 1,622,498 and was comprised of nominal contributions amounting EUR 1,223,238 and net gains amounting EUR 399,260. The proceeds were paid in full at the end of December 2018.

In December 2017 unallocated contributions paid before September 2011 were redeemed. The value of the redemption amounted EUR 9,967,983 and was comprised of nominal contributions amounting EUR 7,026,365 and net gains amounting EUR 2,941,618. The proceeds were payable as at December 31, 2017 and the payment was executed during January 2018.

10 NON-CONTRIBUTIONS

Incoming transfers to the KPST-PA collection account with CBK, which at the time of processing a bank statement are identified as not being pension contributions (were paid in error or overpaid), 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, 2018 the balance of non-contributions yet to be returned to the payer as of reporting date amounts to EUR 34,257 (2017: EUR 49,298).

11 OTHER INCOME

During the year ended December 31, 2018 the Governing Board of KPST had decided to refund EUR 700,000 to pension assets from the KPST-O surplus for investment activities (2017: EUR 385,000).

12 FEES CHARGED ON PARTICIPANTS' ACCOUNTS

	Year ended December 31 2018	Year ended December 31 2017
	EUR	EUR
Fees for investment activities	6,447,812	6,043,149
Fees for operational activities	1,212,535	1,245,535
Total fees charged on participants' accounts	**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.

13 INDIVIDUAL PARTICIPANTS' ACCOUNTS

	As at December 31 2018	As at December 31 2017
	Number of Accounts	Number of Accounts
Accounts with no withdrawals of savings	582,740	553,015
Accounts with withdrawals of savings	43,947	38,512
Total accounts	**626,687**	**591,527**

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 626,687 contributors for whom KPST has opened a pension savings account, 344,453 had contributions belonging to the year ended December 31, 2018 (2017: 352,849 out of 591,527 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 vast majority of contributions are being allocated to individual accounts on the day payments are first processed. Predominantly due to employer non-reporting for prior periods, an amount of EUR 1,293,572 was not allocated to individual participants' accounts as at December 31, 2018 (December 31, 2017: EUR 2,288,327).

During 2018 KPST allocated the amount of EUR 4,698 to individual accounts from the amount outstanding as of December 31, 2017 and redeemed as unallocated assets contributions amounting EUR 1,223,238. During 2017 KPST allocated 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 2018	As at December 31 2017
	EUR	EUR
Employers have not submitted contribution reports	1,104,230	2,041,184
Invalid contributor ID and Name/Surname combination	159,719	228,273
Payment not posted to employer account	29,623	18,870
Total un-allocated contributions	**1,293,572**	**2,288,327**
Cumulative contributions unitised up to reporting date	1,594,824,669	1,422,168,517
Un-allocated contributions as percentage of unitised contributions up to reporting date	**0.08%**	**0.16%**

13 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 2018	As at December 31 2017
		Value EUR	Value EUR
Net participants' assets		1,691,903,168	1,644,799,405
Adjusted for:			
Contribution receivables not unitised on reporting date	5	(11,347,368)	(10,151,350)
Balance of impairment provisions	7	593,125	-
Net unitised participants' assets		**1,681,148,925**	**1,634,648,055**
Balance of funds in individual accounts		1,679,863,025	1,631,759,860
Percentage of net unitised participants' assets in individual accounts		**99.92%**	**99.82%**

14 PHASED WITHDRAWAL BENEFIT PAYMENTS

As per the Rule for the withdrawal of pension savings, amended by CBK in August 2017 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 (2017: 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 (2017: 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.

15 STATEMENT OF SHARE MOVEMENTS ATTRIBUTABLE TO REDEEMABLE PARTICIPANTS

	Notes	2018	2017
		Units	Units
As at January 1		**1,115,941,202**	**1,030,807,350**
Units issued for received contributions		119,032,107	111,815,014
Units redeemed through withdrawal of savings		(21,572,925)	(19,436,297)
Units redeemed due to return of unallocated funds		(1,149,974)	(6,798,515)
Units redeemed through refunds		(569,693)	(446,350)
As at December 31		**1,211,680,717**	**1,115,941,202**
Net unitised participants' assets	13	1,681,148,925	1,634,648,055
NAV per share on reporting date		**EUR 1.3875**	**EUR 1.4648**

16 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.