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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, 2022

RSM

RSM KOSOVO SH.P.K

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors and Management of Kosovo Pension Savings Trust

Opinion

We have audited the financial statements of Kosovo Pension Saving Trust - Operations ("KPST-O"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net assets attributable to KPST-O and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KPST-O as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the 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-O in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the mandate of previous members of the Governing Board of Kosovo Pension Saving Trust expired on 28 February 2023. Subsequently and until the date of issuing this report, Kosovo Pension Saving Trust has been operating without a Governing Board. As per *Article 4.3 of Law No. 04/L-101 on Pension Funds of Kosovo*, a Governing Board consisting of eight (8) members is responsible for managing the Kosovo Pension Saving Trust. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. Key audit matter and our respective response is described below.

Key Audit Matter	How the matter was addressed in our audit
Existence and accuracy of investments in Term Deposits As at 31 December 2022, KPST-O investments in Term Deposits represented 78 % of the total assets. Further disclosures of these investments are included in the note 3.2, 3.17 and 5 to the financial statements. This was an area of focus and an area where significant audit effort was directed.	In relation to the matter set out opposite, our audit response included the following: • We have confirmed the year-end balances with banks. • On a sample basis we reviewed actual contracts for new investments during the year. • On a sample basis we traced maturity of investments from bank statements. • On a sample basis we have tested the accuracy of accrued interest. • We have checked the adequacy of KPST-O disclosure related to these investments.

Other Matter
Due to absence of the Governing Board from 28 February 2023 onwards and until the date of issuing this report, all communications with those charged with governance during that period, as described in *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report and as required under ISAs, have been made with the management of Kosovo Pension Saving Trust.

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 KPST-O'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-O or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing KPST-O'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.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 KPST-O'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 KPST-O'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 KPST-O 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Other Legal and Regulatory Requirements

We were selected by an open bidding process and appointed as auditors of Kosovo Pension Saving Trust. This is our third year as auditors of the Kosovo Pension Saving Trust.

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to those charged with governance of Kosovo Pension Saving Trust.

RSM Kosovo Sh.p.k.

RSM Kosovo Sh.p.k.

Prishtina, Republic of Kosovo

14 April 2023

Sadik Berisha

Statutory Auditor

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	Notes	As at December 31 2022	As at December 31 2021
		EUR	EUR
Assets			
Current Assets			
Cash in hand and at banks	4	1,028,264	866,077
Term deposits	5	5,759,257	3,458,954
Kosovo Treasuries	5	-	1,753,998
Accounts receivable	6	617,882	533,072
Prepaid expenses		16,476	14,345
		7,421,879	6,626,446
Non-current Assets			
Property, plant and equipment	9	631,169	681,239
Right-of-use assets	10	248,642	46,459
Intangible assets	11	66,975	30,778
		946,786	758,476
Total assets		8,368,665	7,384,922
Liabilities			
Current Liabilities			
Accounts payable and accruals	12	922,049	1,225,358
Lease liabilities	10	46,056	52,482
		968,105	1,277,840
Non-current Liabilities			
Lease liabilities	10	212,905	-
		212,905	-
Total liabilities		1,181,010	1,277,840
Net assets attributable to KPST Operations		7,187,655	6,107,082

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 28 February 2023.

Mr. Adrian Zalli
Managing Director

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

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Year ended December 31 2022	Year ended December 31 2021
		EUR	EUR
Income			
Fees charged on pension assets	14	8,849,446	8,492,038
Other income	15	80,623	126,087
Total income		**8,930,069**	**8,618,125**
Expenses			
Investment expenses			
Open-end vehicle net fees	16	(6,040,583)	(6,534,931)
CBK transfer and maintenance charges		(56,889)	(58,357)
Brokerage and custody expenses		(597,923)	(247,059)
Total investment expenses		**(6,695,395)**	**(6,840,347)**
Operational expenses			
Staff costs	17	(625,155)	(653,595)
Governing Board expenses	18	(132,658)	(128,592)
Depreciation and amortisation	9-11	(118,771)	(111,869)
Account statements and correspondence for beneficiaries		(98,519)	(86,520)
Office operating expenses		(34,018)	(26,606)
Software maintenance		(30,806)	(102,727)
CBK supervision charges		(20,070)	(21,024)
Professional services/Contractors/Consultants	20	(20,489)	(21,467)
External audit		(11,200)	(10,200)
Lease interest	10	(10,005)	(11,046)
Training, travel and other staff expenses		(8,568)	(1,523)
Communication		(6,232)	(6,849)
Public education and advertising		(5,599)	(1,308)
Bank charges		(2,105)	(1,884)
Other costs		(15,573)	(6,035)
Total operational expenses		**(1,139,768)**	**(1,191,245)**
Total expenses		**(7,835,163)**	**(8,031,592)**
Provisions for expected credit losses, net (increase) / decrease	5	(14,333)	23
Net surplus for the year		**1,080,573**	**586,556**

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
As at January 1, 2021		**1,180,910**	**4,539,616**	**5,720,526**
Net surplus for the year		586,556	-	**586,556**
Paid to pension assets (KPST-PA)	**13**	(200,000)	-	**(200,000)**
Reserve replenishment	**13**	(460,384)	460,384	**-**
As at December 31, 2021		**1,107,082**	**5,000,000**	**6,107,082**
Net surplus for the year		1,080,573	-	**1,080,573**
As at December 31, 2022		**2,187,655**	**5,000,000**	**7,187,655**

The accompanying notes 1 to 21 form an integral part of these financial statements

	Notes	Year ended December 31 2022	Year ended December 31 2021
		EUR	EUR
Cash flows from operating activities			
Net surplus for the year		1,080,573	586,556
Adjustments for:			
Depreciation and amortisation	9-11	118,771	111,869
Interest income	15	(82,803)	(73,903)
Interest on lease	10	10,005	4,717
Net increase / (decrease) in provisions for expected credit loss	5	14,333	(23)
		1,140,879	629,216
Interest received		82,135	73,611
		1,223,014	702,827
Changes in operating assets and liabilities:			
(Decrease) / increase in accounts payable and accruals		(303,309)	55,629
(Increase) / decrease in accounts receivable and prepaid expenses excluding interest receivable	6	(86,911)	118,976
Net cash flows from operating activities		**832,794**	**877,432**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(5,788)	(39,842)
Purchase of intangible assets	11	(50,819)	(6,285)
Payments for investment in term deposits		(5,760,000)	(3,450,000)
Proceeds from maturity of term deposits (principal)		3,450,000	3,000,000
Proceeds from maturity of Kosovo Treasuries (principal)		1,750,000	-
Net cash flows used in investing activities		**(616,607)**	**(496,127)**
Cash flows from financing activities			
Lease payments	10	(54,000)	(54,000)
Paid to pension assets (KPST-PA)		-	(200,000)
Net cash flows used in financing activities		**(54,000)**	**(254,000)**
Increase in cash and cash equivalents		**162,187**	**127,305**
Cash and cash equivalents at the beginning of the year		866,077	738,772
Cash and cash equivalents at the end of the year	4	**1,028,264**	**866,077**

The accompanying notes 1 to 21 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 and No. 07/L-016; 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, consisting of members that are investment and pension experts, as well as employee and employer representatives from Kosovo. According to the Law No. 04/L-101, one non-voting member shall represent the interests of the Government. During 2022 and 2021, the Board of Governors was operating without the non-voting member. From January 2021 onwards, the Board of Governors was also operating without one professional member, whereas from March 2022 it was also operating without the employer representative member. The original mandates of all the remaining members of the Board expired on November 30, 2022 , with the automatic 90-day extension of their mandates also expiring on 28 February 2023; which has left KPST without any members of the Board as of the date of issuing this report.

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 29 staff members managed the day-to-day operations of the KPST during 2022 (2021: Director and 29 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 in accordance with IFRS. Details of the accounting policy are included in Note 3. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the KPST. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.15 Significant estimates and judgments.

The financial statements are prepared as of and for the years ended December 31, 2022 and 2021. Current and comparative data stated in these financial statements are expressed in Euro, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation for the current year.

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 amendments to the existing standards issued by the International Accounting Standards Board are effective for the current period:

- **Property, Plant and Equipment: Proceeds before intended use** – Amendments to IAS 16 - effective for annual reporting periods beginning on or after 1 January 2022.
- **Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37** - effective for annual reporting periods beginning on or after 1 January 2022.
- **Reference to the Conceptual Framework - Amendments to IFRS 3** - effective for annual reporting periods beginning on or after 1 January 2022.
- **Covid-19 – Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16** - effective for annual reporting periods beginning on or after 1 January 2022.
- **Annual Improvements to IFRS Standards - 2018-2020 Cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)** - effective for annual reporting periods beginning on or after 1 January 2022.

The adoption of the above did not have a material impact on the financial statements of KPST-O.

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 and amendments to existing standards were in issue, but not yet mandatory for annual reporting period December 31, 2022:

- **IFRS 17 "Insurance Contracts"** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **Definition of Accounting Estimates (Amendments to IAS 8)** - effective for annual reporting periods beginning on or after 1 January 2023.
- **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 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 assets and on 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, 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 in the principal market; or in the absence of a principal market, in the most advantageous market to which KPST-O has access at that 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

On initial recognition, KPST-O classifies financial assets as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value through Profit and Loss (FVPL):
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (SPPI).

Business model assessment
In making an assessment of the objective of the business model in which a financial asset is held, the KPST-O considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the KPST-O's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the KPST-O's continuing recognition of the assets.

The KPST-O has determined that it has only one business model:
- Held-to-collect business model: this includes cash at bank, investment in Kosovo treasuries and term deposits. These financial assets are held to collect contractual cash flow.

The contractual cash flows of the KPST-O's debt securities are SPPI.

Assessment whether contractual cash flows are SPPI
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the KPST-O considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the KPST-O considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the KPST-O's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition unless the KPST-O were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

KPST-O 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial assets and liabilities (continued)

3.2.1. Financial assets (continued)

i) 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.

ii) 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 expired).

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 Prepaid expenses

Prepayments are carried at cost less provision for impairment. A prepayment is classified as noncurrent when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Prepayments to acquire assets are transferred to the carrying amount of the asset once KPST-O has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to KPST-O. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

3.5 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment and leases

3.6.1 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.

Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised.

Construction in progress is reported at cost of construction including costs charged by third parties. Upon completion, all accumulated costs of the asset are transferred to the relevant property, plant and equipment category and subsequently subject to the applicable depreciation rates. Land and construction in progress are 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.

3.6.2 Leases

For any new contracts entered into on or after 1 January 2019, KPST-O considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition KPST-O assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to KPST-O
- KPST-O has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- KPST-O has the right to direct the use of the identified asset throughout the period of use.

KPST-O assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

At lease commencement date, KPST-O recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by KPST-O, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

KPST-O depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. KPST-O also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, KPST-O measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or KPST-O's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

KPST-O has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Both right-of-use assets and lease liabilities have been shown as separate balances on the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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.

3.8 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 fair value less cost of the disposal 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.

3.9 Taxation

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

3.10 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

3.11 Related Parties

Related parties consist of members of the Governing Board of KPST, together with entities which they control, who can exert significant influence over the operations and management of KPST. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3.12 Commitments and contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognised as a provision if it is probable that future events will confirm that, a reasonable estimate of the amount of the resulting loss can be made, for a liability incurred as at the statement of financial position date.

3.13 Subsequent events

Subsequent events that provide additional information about KPST-O position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after reporting period that are not adjusting events are disclosed in the notes when material.

3.14 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

Incremental Borrowing Rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what KPST-O estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Useful life of depreciable assets
Management reviewed the useful lives of depreciable assets at 31 December 2022. 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 9 and 11. 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 3.17.4, 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.

3.16 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Financial risk management

3.17.1 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.

3.17.2 Liquidity risk

Liquidity risk is the risk that KPST-O will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. 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. Given the short-term nature of its assets, as well as healthy inflows from KPST-PA, the management reviews on quarterly basis cash flow requirements for the upcoming 3-6 months.

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 2022			As at December 31 2021		
	1-6 Months	6-12 months	13-60 months	1-6 months	6-12 months	13-60 months
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash in hand and at banks	1,028,264	-	-	866,077	-	-
Term deposits	-	5,759,257	-	-	3,458,954	-
Kosovo Treasuries	-	-	-	-	1,753,998	-
Account receivables	617,882	-	-	533,072	-	-
	1,646,146	**5,759,257**	**-**	**1,399,149**	**5,212,952**	**-**
Financial Liabilities						
Account payables	922,049	-	-	1,225,358	-	-
Lease liabilities (see note 10)	29,700	29,700	237,600	27,000	27,000	-
	951,749	**29,700**	**237,600**	**1,252,358**	**27,000**	**-**
Maturity gap	**694,397**	**5,729,557**	**237,600**	**146,791**	**5,185,952**	**-**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Financial risk management (continued)

3.17.3 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, 2022 and 2021.

	As at December 31 2022		As at December 31 2021	
	Carrying Value	Fair value	Carrying Value	Fair value
	EUR	EUR	EUR	EUR
Financial assets				
Cash at bank	1,028,264	1,028,264	866,077	866,077
Term deposits	5,759,257	5,776,554	3,458,954	3,461,030
Kosovo Treasuries	-	-	1,753,998	1,774,136
Accounts receivable	617,882	617,882	533,072	533,072
	7,405,403	**7,422,700**	**6,612,101**	**6,634,315**
Financial liabilities				
Account payables	922,049	922,049	1,225,358	1,225,358
Lease liabilities	258,961	258,961	52,482	52,482
	1,181,010	**1,181,010**	**1,277,840**	**1,277,840**

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.

3.17.4 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 quality analyses
The KPST-O exposure to credit risk arises in the respect of the following instruments:

- ***Cash at bank*** - Cash at bank consists of cash in current accounts with commercial banks. There is no credit rating available most commercial banks operating in the Republic of Kosovo, however, due to its short-term nature, credit risk is not considered significant and no impairment loss is calculated.
- ***Term Deposits*** - consist of term deposits placed with commercial banks in the Republic of Kosovo. As of December 31, 2022, placements were with three banks, with 56% placed in one of the banks (2021: two banks, 85% placed in one of the banks).
- ***Kosovo Treasuries*** - As at December 31, 2022 there was no exposure of KPST-O in securities issued from the Government of Kosovo (2021: single instrument with a nominal amount of EUR 1,750,000). Kosovo Treasuries are not rated.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Financial risk management (continued)

3.17.4 Credit risk (continued)

Impairment
The KPST-O recognises loss allowances for ECLs on financial assets measured at amortised cost. The KPST-O measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the KPST-O considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the KPST-O historical experience and informed credit assessment and including forward-looking information.

The KPST-O assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The KPST-O considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the KPST-O in full, without recourse by the KPST-O to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the KPST-O is exposed to credit risk.

Measurement of ECLs
At each reporting date, KPST-O assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, KPST-O uses the change in the risk of a default occurring over the expected life of the financial instrument. To make the assessment, KPST-O compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- default or delinquency of more than 90 days in interest or principal payments; or
- it is becoming probable that the counterparty will enter bankruptcy or financial reorganisation.

In estimating the probability of default, KPST-O uses published default rates for issuers of the same rating. When the rating is not available, the default rates for issuers most similar are used. The measurement is adjusted for (a) the duration if a given security has less than a year to maturity; (b) the typical recovery rates for similar issuers; and (c) the discount factors for respective security yields.

Given the above inputs, all term deposits were evaluated using the Stage 1, 12-month impairment model, and there were no movements in stages during the year ended December 31, 2022. Net additions to the provisions for expected losses during the year were EUR 15,221, making for an end balance as at December 31, 2022 of EUR 17,297 (2021: net additions of EUR 737 and an end balance of EUR 2,076).

There were no Kosovo Treasury instruments held on reporting date, and no movements in stages during the year ended December 31, 2022. Net deductions to the impairment provisions for expected losses during the year were EUR 888, making for an end balance as at December 31, 2022 of EUR nil (2021: net deductions of EUR 760 and an end balance of EUR 888).

3.17.5 Operational risk

Operational risk is the risk of financial loss to KPST-O caused by flawed or failed processes, policies, systems or events that disrupt business operations.

KPST has in place an operational risk officer whose duty is to evaluate key risks on annual basis. Most of the key operational risks are mitigated either through full (or almost-full) automation or through employment of a 4-eye principle for authorising execution of data processes, payments and other transactions.

4 CASH IN HAND AND AT BANKS

	As at December 31 2022	As at December 31 2021
	EUR	EUR
ProCredit Bank - Current account	700,854	526,094
Banka për Biznes – Current account	293,048	313,698
Banka Kombëtare Tregtare – Current account	24,979	128
ISh Bankasi – Current account	7,146	23,615
Banka Ekonomike – Current account	764	806
Raiffeisen Bank Kosovo - Current account	616	772
NLB Prishtina - Current account	487	490
Cash in hand	370	474
Total cash in hand and at banks	**1,028,264**	**866,077**

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, 2022 on this account amounted EUR 1,344, of which EUR 174 were receivables on reporting date (2021: interest earned EUR 1,555 of which EUR 144 were receivables).

5 TERM DEPOSITS AND KOSOVO TREASURIES

	As at December 31 2022	As at December 31 2021
	EUR	EUR
Term deposits		
Term deposits gross of provisions for expected credit losses	5,776,554	3,461,030
Provision for expected credit losses	(17,297)	(2,076)
Term deposits net of provisions for expected credit losses	**5,759,257**	**3,458,954**
Kosovo Treasuries		
Treasuries gross of provisions for expected credit losses	-	1,754,886
Provision for expected credit losses	-	(888)
Treasuries net of provisions for expected credit losses	**-**	**1,753,998**
Term Deposits and Kosovo Treasuries	**5,759,257**	**5,212,952**

As at December 31, 2022 KPST-O investments in term deposits measured at amortised cost consisted of 4 deposits that had original maturities of 1-year, fixed interest rates, an average duration (weighted) of 0.88 years, and average interest rate (weighted) of 2.42%. The deposits are all placed with commercial banks licensed and operating in the Republic of Kosovo. As at December 31, 2021 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 0.85 years, and average interest rate of 1.77%.

5 TERM DEPOSITS AND KOSOVO TREASURIES (CONTINUED)

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2021	**1,339**	**1,648**	**2,987**
Additions to provision due to new placements	2,076	-	2,076
Releases in provision due to maturity	(1,339)	(760)	(2,099)
Net movement of provisions for expected credit losses for the year	**737**	**(760)**	**(23)**
As at December 31, 2021	**2,076**	**888**	**2,964**
Additions to provision due to new placements	17,297	-	17,297
Releases in provision due to maturity	(2,076)	(888)	(2,964)
Net movement of provisions for expected credit losses for the year	**15,221**	**(888)**	**14,333**
As at December 31, 2022	**17,297**	**-**	**17,297**

Provisions for expected credit losses for debt instruments for the year ended December 31, 2022 and 2021 were derived in accordance with the expected credit loss model as detailed in significant accounting policies. Net movements in provisions for expected credit losses are provided above.

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2021	**3,004,880**	**1,757,301**	**4,762,181**
New placements	3,450,000	-	**3,450,000**
Interest earned	57,162	15,186	**72,348**
Interest – received	(52,351)	(19,249)	**(71,600)**
Principal – matured	(3,000,000)	-	**(3,000,000)**
Net movement of provisions for expected credit loss	(737)	760	**23**
As at December 31, 2021	**3,458,954**	**1,753,998**	**5,212,952**
New placements	5,760,000	-	**5,760,000**
Interest earned	67,095	14,364	**81,459**
Interest – received	(61,571)	(19,250)	**(80,821)**
Principal – matured	(3,450,000)	(1,750,000)	**(5,200,000)**
Net movement of provisions for expected credit loss	(15,221)	888	**(14,333)**
As at December 31, 2022	**5,759,257**	**-**	**5,759,257**

6 ACCOUNTS RECEIVABLE

	As at December 31 2022	As at December 31 2021
	EUR	EUR
Net receivables from KPST-PA	564,679	453,811
Rebates receivable from open-end funds	49,734	79,117
Other receivables	3,469	144
Total account receivables	**617,882**	**533,072**

As at December 31, 2022 the balance of net receivables from KPST-PA amounting EUR 564,679 consists of fees charged on participants' accounts amounting EUR 564,690 as well as the negative difference from refunds of erroneous contributions amounting EUR 11 (2021: EUR 441,441 and positive difference amounting EUR 12,370 respectively); which were received after reporting date.

7 CONTINGENT ASSETS AND LIABILITIES

As at December 31, 2022 and 2021, KPST-O had no contingent assets nor liabilities.

8 COMMITMENTS

As at December 31, 2022 and 2021, KPST-O had no commitments other than lease liabilities, as per the policy disclosed in Note 3.6.2 "Leases", and liabilities that may arise due to the purchase of land, as disclosed in the Note 9.

9 PROPERTY, PLANT AND EQUIPMENT

	Computers and related equipment	Furniture, fixtures and equipment	Other office equipment	Motor Vehicles	Land and construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
As at January 1, 2021	**404,531**	**26,141**	**67,207**	**53,365**	**591,153**	**1,142,397**
Additions for the year	38,248	895	699	-	-	**39,842**
Write-offs for the year	(30,608)	(162)	(3,440)	-	-	**(34,210)**
As at December 31, 2021	**412,171**	**26,874**	**64,466**	**53,365**	**591,153**	**1,148,029**
Additions for the year	2,919	-	2,869	-	-	**5,788**
Write-offs for the year	(500)	(780)	(2,704)	-	-	**(3,984)**
As at December 31, 2022	**414,590**	**26,094**	**64,631**	**53,365**	**591,153**	**1,149,833**
Accumulated depreciation						
As at January 1, 2021	**(322,617)**	**(21,886)**	**(51,855)**	**(53,365)**	**-**	**(449,723)**
Charge for the year	(43,021)	(1,136)	(7,120)	-	-	**(51,277)**
Eliminated through write-offs	30,608	162	3,440	-	-	**34,210**
As at December 31, 2021	**(335,030)**	**(22,860)**	**(55,535)**	**(53,365)**	**-**	**(466,790)**
Charge for the year	(47,365)	(1,190)	(7,303)	-	-	**(55,858)**
Eliminated through write-offs	500	780	2,704	-	-	**3,984**
As at December 31, 2022	**(381,895)**	**(23,270)**	**(60,134)**	**(53,365)**	**-**	**(518,664)**
Net book value						
As at December 31, 2022	**32,695**	**2,824**	**4,497**	**-**	**591,153**	**631,169**
As at December 31, 2021	**77,141**	**4,014**	**8,931**	**-**	**591,153**	**681,239**

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.

The title of the property has been transferred to KPST in the cadastral register during 2019. Having been denied by the municipality, during 2022, the permission to construct offices bigger in volume and size than those of the current ruins and fully dilapidated buildings in the plot, as of the date of this report, KPST is in the process of obtaining the permission for the construction of its headquarter offices within the perimeter and volumes of such buildings.

During 2022 and 2021 KPST has written off only fully depreciated assets.

As at 31 December 2022 and 2021, there are no encumbrances over KPST-O assets.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets
	EUR
Cost	
As at January 1, 2021	**232,293**
Additions for the year	-
As at December 31, 2021	**232,293**
Additions for the year	250,474
As at December 31, 2022	**482,767**
Accumulated depreciation	
As at January 1, 2021	**(139,376)**
Charge for the year	(46,458)
As at December 31, 2021	**(185,834)**
Charge for the year	(48,291)
As at December 31, 2022	**(234,125)**
Net book value	
As at December 31, 2022	**248,642**
As at December 31, 2021	**46,459**

	Lease liabilities
	EUR
As at January 1, 2021	**101,765**
Interest for the year	4,717
Payments during the year	(54,000)
As at December 31, 2021	**52,482**
Additions for the year	250,474
Interest for the year	10,005
Payments during the year	(54,000)
As at December 31, 2022	**258,961**

During the year ended December 31, 2022, KPST-O had only one lease, for its office, identified as a right-of-use asset on the statement of financial position. The lease liabilities associated with the same are also shown in the statement of financial position.

The original lease running from January 1, 2018 until December 31, 2022 (both parties having the option to terminate the lease by giving a 9-month notice), was in June 2022 extended up to December 31, 2027. The incremental borrowing rate applied to lease liabilities recognised on the remeasurement on June 1, 2022 was 5.88% at the time of remeasurement, whereas the depreciation of the right-of-use asset is done on straight-line basis over the life of the lease.

As at December 31, 2022 the discounted lease liabilities amounting EUR 258,961 consist of EUR 46,056 in short-term and EUR 212,905 long-term lease liabilities. The undiscounted lease liabilities amount to EUR 297,000 of which EUR 59,400 are short-term and EUR 237,600 long-term.

As at December 31, 2021 the discounted lease liabilities amounted EUR 52,482, all of which were short-term lease liabilities. The undiscounted lease liabilities amounted to EUR 54,000, all of which were short-term.

11 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2021	**455,716**
Additions for the year	6,285
Write-offs for the year	(92,695)
As at December 31, 2021	**369,306**
Additions for the year	50,819
Write-offs for the year	(271,824)
As at December 31, 2022	**148,301**
Accumulated amortisation	
As at January 1, 2021	**(417,089)**
Charge for the year	(14,134)
Eliminated through write-offs	92,695
As at December 31, 2021	**(338,528)**
Charge for the year	(14,622)
Eliminated through write-offs	271,824
As at December 31, 2022	**(81,326)**
Net book value	
As at December 31, 2022	**66,975**
As at December 31, 2021	**30,778**

During 2022 and 2021 KPST has written off only fully amortised intangible assets.

12 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2022	As at December 31 2021
	EUR	EUR
Payables for investment activities	791,353	1,125,213
Accruals for printing and mailing member account statements	80,244	71,155
Other accounts payable and accruals	50,452	28,990
Total accounts payable and accruals	**922,049**	**1,225,358**

As at December 31, 2022 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 790,610 as well as brokerage fees in the amount of EUR 743 (2021: EUR 1,124,470 and EUR 743 respectively).

13 SURPLUS

			2022			2021
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,337,980	7,511,466	**8,849,446**	1,401,622	7,090,416	**8,492,038**
Other income	80,623	-	**80,623**	126,087	-	**126,087**
	1,418,603	**7,511,466**	**8,930,069**	**1,527,709**	**7,090,416**	**8,618,125**
Expenses for the year	(1,139,768)	(6,695,395)	**(7,809,163)**	(1,191,245)	(6,840,347)	**(8,031,592)**
Provisions for expected credit losses, net (increase) / decrease	(14,333)	-	**(14,333)**	23	-	**23**
Surplus for the year	**264,502**	**816,071**	**1,080,573**	**336,487**	**250,069**	**586,556**
Surplus at the start of the year	680,230	426,852	**1,107,082**	1,004,127	176,783	**1,180,910**
Return of surplus to KPST-PA and reserve replenishment	-	-	**-**	(660,384)	-	**(660,384)**
Surplus at the end of the year	**944,732**	**1,242,923**	**2,187,655**	**680,230**	**426,852**	**1,107,082**

During 2022 the Governing Board did not make any refunds to pension assets (KPST-PA) from surpluses from operating or investing activities. Furthermore, no replenishment of the reserve were made, as the reserve was already fully replenished.

During 2021 the Governing Board had decided to (a) refund EUR 200,000 to contributors' pension assets (KPST-PA); and (b) protect the fund price for imminent retirees which came at cost of EUR 460,384; both financed from surpluses from operating activities leaving a net surplus balance of EUR 1,107,082 as of December 31, 2021.

14 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2022	Year ended December 31 2021
	EUR	EUR
Fees charged for investment activities	7,511,466	7,090,416
Fees charged for operational activities	1,337,980	1,401,622
Total fees charged on pension assets	**8,849,446**	**8,492,038**

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, 2022 amounted EUR 8,849,446 (2021: EUR 8,492,038).

Applicable fees for the reporting period, as approved by the Assembly of the Republic of Kosovo in accordance with Law No. 04/L-168, were as follows:

Date from	Date to	Fees for investment activities	Fees for operational activities	Total fees
January 1, 2021	November 21, 2021	0.330% p.a.	0.065% p.a.	0.395% p.a.
November 22, 2021	December 31, 2021	0.320% p.a.	0.065% p.a.	0.385% p.a.
January 1, 2022	December 31, 2022	0.320% p.a.	0.057% p.a.	0.377% p.a.

15 OTHER INCOME

	Year ended December 31 2022	Year ended December 31 2021
	EUR	EUR
Operational activities		
Interest income from deposits and current account	82,803	73,903
Adjusting for the difference from contribution refunds	(3,290)	52,073
Other income from operating activities	1,110	111
	80,623	**126,087**
Total other income	**80,623**	**126,087**

Pension contributions incoming in the collection account (the CBK account for KPST-PA) are converted into units on the day of contribution. Occasionally, transfers are made in error (in part or in full) by the payer, and when this is understood KPST, in compliance with the Law No. 04/L-101, refunds the nominal amount of the erroneous contribution. As per KPST policies, the net differences between the (i) nominal amount refunded, and (ii) the value of respective units on the day of the refund; adjust the other income of KPST-O. For the year ended December 31, 2022 the negative adjustment amounted EUR 3,290 (2021: positive adjustment amounting EUR 52,073).

16 OPEN-END VEHICLE NET FEES

			Year ended December 31 2022			Year ended December 31 2021
	Gross fee	Rebate	Net fee	Gross fee	Rebate	Net fee
	EUR	EUR	EUR	EUR	EUR	EUR
		-				
Vanguard – GSIF	53,049	(7,709)	**45,340**	272,609	(50,236)	**222,373**
BNY Mellon – RRF	1,482,878	-	**1,482,878**	2,169,117	-	**2,169,117**
AXA – GILB	5,918	-	**5,918**	230,413	(21,173)	**209,240**
Nordea 1 - GSEF	517,879	-	**517,879**	315,610	-	**315,610**
Nordea 1 - SRF	1,571,199	-	**1,571,199**	1,993,231	-	**1,993,231**
Amundi – 3M I	155,406	(103,042)	**52,364**	90,051	(40,094)	**49,957**
BNP Paribas – PDP	77,677	(20,698)	**56,979**	485,936	(128,191)	**357,745**
S&P500 Minvol ETF	16,568	-	**16,568**	25,132	-	**25,132**
MSCI EU MinVol ETF	5,097	-	**5,097**	34,009	-	**34,009**
Invesco QQQ ETF	68,274	-	**68,274**	113,633	-	**113,633**
USCF US Oil ETF	100,315	-	**100,315**	109,543	-	**109,543**
Amundi MSCI Qual	45,405	-	**45,405**	121,140	-	**121,140**
FirstT CybrSec ETF	21,393	-	**21,393**	178,049	-	**178,049**
LG eCom Logist ETF	25,998	-	**25,998**	144,551	-	**144,551**
SP OilGas Expl ETF	166,432	-	**166,432**	37,429	-	**37,429**
Pacer Industrial ETF	26,046	-	**26,046**	37,627	-	**37,627**
VG Real Estate ETF	7,254	-	**7,254**	20,028	-	**20,028**
Glob xUS Infr ETF	213,719	-	**213,719**	79,271	-	**79,271**
iShare US Infr ETF	186,056	-	**186,056**	65,279	-	**65,279**
Inv Base Metals ETF	276,002	-	**276,002**	153,702	-	**153,702**
BNP Climate Impact	41,081	(19,875)	**21,206**	24,918	(11,734)	**13,184**
T.Rowe Glob Tech	29,443	(1,088)	**28,355**	17,120	(1,351)	**15,769**
Amundi CPR Disrupt	66,425	-	**66,425**	26,082	(14,130)	**11,952**
AXA Digital Econ	36,965	(6,947)	**30,018**	21,299	(7,058)	**14,241**
GS Millennials	38,531	(6,736)	**31,795**	10,351	(1,998)	**8,353**
Schroder ISF GSG	23,844	-	**23,844**	11,569	-	**11,569**
FirstT Green ETF	5,448	-	**5,448**	11,763	-	**11,763**
iSh. Glb Clean ETF	74,303	-	**74,303**	11,434	-	**11,434**
Invesco KBW Bank	225,237	-	**225,237**	-	-	**-**
Lyxor USD 10Y Infl	44,562	-	**44,562**	-	-	**-**
Lyxor EUR 10Y Infl	136,202	-	**136,202**	-	-	**-**
Vanguard Value ETF	32,934	-	**32,934**	-	-	**-**
ISh MSCI Eur Value	171,108	-	**171,108**	-	-	**-**
Global X Cyb.Sec.	64,516	-	**64,516**	-	-	**-**
Lyx Stoxx Bank ETF	165,126	-	**165,126**	-	-	**-**
iShare Core Div.	19,345	-	**19,345**	-	-	**-**
SPDR EU Energy	2,620	-	**2,620**			
Wisd.Tree Metals	6,423	-	**6,423**			
Total open-end vehicle net fees	**6,206,678**	**(166,095)**	**6,040,583**	**6,810,896**	**(275,965)**	**6,534,931**

17 STAFF COSTS

	Year ended December 31 2022	Year ended December 31 2021
	EUR	EUR
Staff salaries	484,658	471,250
Employer's pension contributions	28,943	27,741
Cost of the Collective Agreement	79,246	54,067
Administration software development	20,338	71,370
Health insurance	7,193	7,119
Overtime, bonuses and other staff costs	4,777	22,048
Total staff costs	**625,155**	**653,595**

18 GOVERNING BOARD EXPENSES

	Year ended December 31 2022	Year ended December 31 2021
	EUR	EUR
Trustees honoraria	84,475	99,463
Fiduciary Insurance	38,320	18,074
Meetings (Travel/Hotel/Other costs)	6,230	6,661
Employer's pension contributions	3,633	4,394
Total Governing Board expenses	**132,658**	**128,592**

19 RELATED PARTIES

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent.

KPST-O manages and has full control over the investments of KPST-PA, i.e. pension assets. Transactions between the two relate to (a) KPST-O being financed from fees charged on the fund as described in Note 14, net of the difference (positive or negative) between the value of units redeemed through refunds and the nominal value of the contributions refunded, as described in Note 15; as well as (b) surpluses returned to KPST-PA from KPST-O, as described in Note 13.

Governing Board members (a) receive monthly compensations by way of the trustee's honoraria as approved by the Assembly of the Republic of Kosovo when approving the investment and operational fees charged on the fund; and (b) have mandatory pension contributions paid on their behalf. The balance of the above, for years ended December 31, 2022 and 2021, are disclosed in Note 18 of these financial statements.

The key management personnel receive monthly salaries as set by the Governing Board, and have mandatory pension contributions paid on their behalf. On occasion, they may be rewarded a performance related bonus, limited to a maximum of one month's basic salary. The balance of the above, for year ended December 31, 2022 was EUR 158,012 (2021: EUR 171,054). Out of the total for the year ended December 31, 2022, salaries amounted EUR 141,605; employer pension contributions amounted EUR 7,524; and bonuses, per-diems and other additions amounted EUR 8,883.

20 PROFESSIONAL SERVICES/CONTRACTORS/CONSULTANTS

	Year ended December 31 2022	Year ended December 31 2021
	EUR	EUR
Internal audit services	7,500	1,680
Design and public relation related services	804	180
Translation and proofreading services	598	830
Other services	11,587	18,777
Total Professional services/Consultants/Contractors	**20,489**	**21,467**

21 EVENTS AFTER THE REPORTING PERIOD

After December 31, 2022 there are no subsequent events that require adjustment or further disclosure in these financial statements.