

**KOSOVO PENSION SAVINGS TRUST
OPERATIONS**

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As at and for the year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Management of Kosovo Pension Savings Trust

Opinion

We have audited the financial statements of Kosovo Pension Saving Trust – Operations (“KPSTOP”), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in net assets attributable to KPSTOP and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KPSTOP as at 31 December 2023, 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 KPSTOP 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.

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.

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Key Audit Matter	How the matter was addressed in our audit
<p data-bbox="188 333 780 398">Existence and accuracy of Investments in Term Deposits</p> <p data-bbox="188 432 780 528">As at 31 December 2023, KPSTOP investments in Term Deposits represented 78 % of the total assets (31 December 2022: 69%).</p> <p data-bbox="188 562 780 658">Further disclosures of these investments are included in the note 3.1, 3.15 and 5 to the financial statements.</p> <p data-bbox="188 692 780 757">This was an area of focus and an area where significant audit effort was directed.</p>	<p data-bbox="802 333 1388 398">In relation to the matter set out opposite, our audit response included the following:</p> <ul data-bbox="802 432 1388 853" style="list-style-type: none"> <li data-bbox="802 432 1388 497">• We have confirmed the year-end balances with banks. <li data-bbox="802 512 1388 609">• On a sample basis we reviewed actual contracts for investment in new term deposits during the year. <li data-bbox="802 624 1388 689">• On a sample basis we traced maturity of term deposits from bank statements. <li data-bbox="802 705 1388 770">• On a sample basis we have tested the accuracy of accrued interest. <li data-bbox="802 786 1388 853">• We have checked the adequacy of KPSTOP disclosure related to term deposits.

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

Those charged with governance are responsible for overseeing KPSTOP'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.

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 KPSTOP'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 KPSTOP'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 KPSTOP 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 fourth 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

12 April 2024

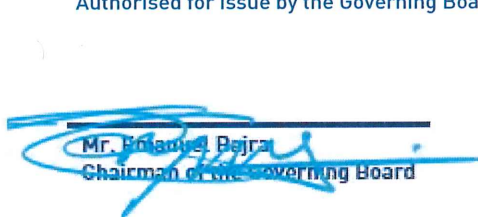
A handwritten signature in blue ink, appearing to read 'Sadik Berisha'.

Sadik Berisha

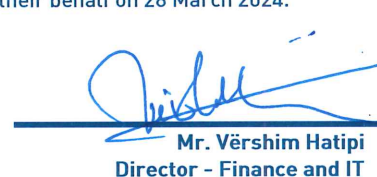
Statutory Auditor

	Notes	As at December 31 2023	As at December 31 2022
		EUR	EUR
Assets			
Current Assets			
Cash and cash equivalents	4	363,264	1,028,264
Term deposits	5	6,818,415	5,759,257
Account receivables and prepayments	6	648,581	634,358
		7,830,260	7,421,879
Non-current Assets			
Property and equipment	9	613,551	631,169
Right-of-use assets	10	198,927	248,642
Intangible assets	11	99,545	66,975
		912,023	946,786
Total assets		8,742,283	8,368,665
Liabilities			
Current Liabilities			
Account payables and accruals	12	650,320	922,049
Lease liabilities	10	48,730	46,056
		699,050	968,105
Non-current Liabilities			
Lease liabilities	10	164,175	212,905
		164,175	212,905
Total liabilities		863,225	1,181,010
Net assets attributable to KPST Operations		7,879,058	7,187,655

Authorised for issue by the Governing Board and Management of KPST and signed on their behalf on 28 March 2024.


Mr. Botashaj Bajra
Chairman of the Governing Board


Mr. Adrian Zalli
Managing Director


Mr. Vërshim Hatipi
Director - Finance and IT

The accompanying notes 1 to 22 form an integral part of these financial statements

	Notes	Year ended December 31 2023	Year ended December 31 2022
		EUR	EUR
Income			
Fees charged on pension assets	14	9,421,417	8,849,446
Other income	15	174,817	80,623
Total income		9,596,234	8,930,069
Expenses			
<i>Investment expenses</i>			
Open-end vehicle net fees	16	(5,510,238)	(6,040,583)
Brokerage, custody and other investment expenses	17	(336,285)	(654,812)
Total investment expenses		(5,846,523)	(6,695,395)
<i>Operational expenses</i>			
Staff costs	18	(642,021)	(625,155)
Governing Board expenses	19	(62,606)	(132,658)
Depreciation and amortisation	9-11	(100,392)	(118,771)
Account statements and other correspondence		(99,784)	(98,519)
Other operating expenses	20	(149,900)	(164,665)
Total operational expenses		(1,054,703)	(1,139,768)
Total expenses		(6,901,226)	(7,835,163)
Credit loss expense on financial assets, net	5	(3,605)	(14,333)
Increase in net assets attributable to KPST Operations		2,691,403	1,080,573

The accompanying notes 1 to 22 form an integral part of these financial statements

	Notes	Surplus	Reserve	Total
		EUR	EUR	EUR
As at January 1, 2022		1,107,082	5,000,000	6,107,082
Increase in net assets attributable to KPST Operations		1,080,573	-	1,080,573
As at December 31, 2022		2,187,655	5,000,000	7,187,655
Increase in net assets attributable to KPST Operations		2,691,403	-	2,691,403
Paid to pension assets (KPSTPA)	13	(2,000,000)	-	(2,000,000)
Reserve replenishment	13	(1,000,000)	1,000,000	-
As at December 31, 2023		1,879,058	6,000,000	7,879,058

The accompanying notes 1 to 22 form an integral part of these financial statements

	Notes	Year ended December 31 2023	Year ended December 31 2022
		EUR	EUR
Cash flows from operating activities			
Increase in net assets attributable to KPST Operations		2,691,403	1,080,573
Adjustments for:			
Depreciation and amortisation	9-11	100,392	118,771
Interest income	15	(166,333)	(82,803)
Interest on lease	10	13,344	10,005
Credit loss expense on financial assets, net	5	3,605	14,333
		2,642,411	1,140,879
Interest received		143,004	82,135
		2,785,415	1,223,014
Changes in operating assets and liabilities:			
Decrease in accounts payable and accruals		(271,729)	(303,309)
Increase in account receivables and prepayments excluding interest receivable		(13,657)	(86,911)
Net cash flows from operating activities		2,500,029	832,794
Cash flows from investing activities			
Purchase of property and equipment	9	(7,676)	(5,788)
Purchase of intangible assets	11	(57,953)	(50,819)
Payments for investment in term deposits	5	(6,800,000)	(5,760,000)
Proceeds from maturity of term deposits (principal)	5	5,760,000	3,450,000
Proceeds from maturity of Kosovo Treasuries (principal)	5	-	1,750,000
Net cash flows used in investing activities		(1,105,629)	(616,607)
Cash flows from financing activities			
Lease payments	10	(59,400)	(54,000)
Paid to pension assets (KPSTPA)	13	(2,000,000)	-
Net cash flows used in financing activities		(2,059,400)	(54,000)
Net (decrease) / increase in cash and cash equivalents		(665,000)	162,187
Cash and cash equivalents at the beginning of the year		1,028,264	866,077
Cash and cash equivalents at the end of the year	4	363,264	1,028,264

The accompanying notes 1 to 22 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 maintains individual accounts for each participant to which contributions as well as investment returns are credited.

The KPST is overseen by a Governing Board, consisting of members that are investment and pension experts, or have experience in representing employees and/or employers of Kosovo. According to Law No. 04/L-101, one non-voting member shall represent the interests of the Government. During 2023 and 2022, the Governing Board was operating without a non-voting member. From March 2023 KPST operated without any Governing Board members as their mandates had expired. Five members of the Governing Board were appointed by the Assembly of Kosovo in July 2023, sufficient to provide a quorum, but left two positions empty for the remainder of 2023 and as of the date of issuing this report.

These financial statements are for KPST Operations (or "KPSTOP"), which is the entity managing and administering contributors' pension savings (pension assets). The financial statements for KPST Pension Assets (or "KPSTPA") 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 2023 (2022: Director and 29 staff members).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of KPSTOP have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention. 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 3.13 Significant estimates and judgments.

The financial statements are prepared as of and for the years ended December 31, 2023 and 2022. 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.

Presentation of financial statements and notes

For the purpose of clarity, the financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance.

This means that the line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the primary financial statements.

Similarly, information not considered material is not presented in the notes.

Going concern

KPST management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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:

- **IFRS 17 "Insurance Contracts"** - 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. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.
- **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 IAS 12 "Income Taxes" - International Tax Reform — Pillar Two Model Rules** - effective for annual reporting periods beginning on or after 1 January 2023.

The adoption of the above did not have a material impact on the financial statements of KPSTOP.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in accounting policies and disclosures (continued)

ii) New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards and amendments to existing standards were in issue, but not yet mandatory for annual reporting period December 31, 2023:

- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - effective for annual reporting periods beginning on or after 1 January 2024.
- **Lease Liabilities on sale or upon return (Amendments to IFRS 16)** - effective for annual reporting periods beginning on or after 1 January 2024.
- **Disclosure of Supplier Financial Agreements (Amendments to IAS 7 and IFRS 7)** - effective for annual reporting periods beginning on or after 1 January 2024.
- **Lack of Exchangeability (Amendments to IAS 21)** - effective for annual reporting periods beginning on or after 1 January 2025, not yet approved by the European Union.
- **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).

KPSTOP has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. KPSTOP 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 KPSTOP in the period of initial application.

3 MATERIAL ACCOUNTING POLICIES

KPSTOP has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, KPSTOP adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information related to financial instruments disclosed in Note 3 in certain instances.

3.1 Financial instruments

Financial assets and liabilities carried on the statement of financial position include investments, cash and cash equivalents, term deposits, receivables, and liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the KPSTOP statement of financial position when it becomes a party to the contractual provisions of the instrument or on the date on which they are originated.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics into one of the following measurement categories:

- Amortised cost (AMC);
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

Financial assets are measured at AMC if they are held within a business model for the purpose of collecting contractual cash flows (held to collect) and if cash flows are solely payments of principal and interest on the principal amount outstanding. In general, this is the case for the KPSTOP financial asset portfolio.

KPSTOP does not have financial assets that are measured at FVOCI and/or FVPL.

Generally, financial liabilities are measured at amortised cost.

The SPPI test (solely payment of principal and interest on the principal amount outstanding)

The second step in the classification of the financial assets in portfolios being “held to collect” relates to the assessment of whether the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest must represent only consideration for the time value of money, credit risk, other basic lending risks and a profit margin consistent with basic lending features. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognised at FVPL.

In general, the KPSTOP portfolios of financial assets that are “held to collect” have contractual cash flows that are generally consistent with the SPPI test.

Impairment

KPSTOP assesses on a forward-looking basis the expected credit losses (ECL) associated with debt instrument assets carried at amortised cost. KPSTOP 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.

Derecognition

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) KPSTOP transfers substantially all the risks and rewards of ownership, or (b) KPSTOP neither transfers nor retains substantially all the risks and rewards of ownership and KPSTOP has not retained control.

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

3.2 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.

3.3 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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Property and equipment and leases

3.4.1 Property and equipment

Property and equipment of KPSTOP 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.

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 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%

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

3.4.2 Leases

For any new contracts entered into on or after 1 January 2019, KPSTOP considers whether a contract is, or contains a lease.

Measurement and recognition of leases

At lease commencement date, KPSTOP 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 KPSTOP, 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).

KPSTOP 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. KPSTOP also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, KPSTOP measures the lease liability at the present value of the lease payments unpaid at that date, discounted by 5.88%, the borrowing rate for new loans at the time of remeasurement (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.

KPSTOP 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.

3.5 Intangible assets

Intangible assets comprise of licensed computer software. These are initially stated at cost and subsequently at their cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recorded when these assets are available for use using straight-line basis whereby the cost of an intangible asset is written off over its estimated useful life using the following rates:

Software - 20%

Licenses are amortised over the term of the license up to the maximum of 5 years.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Income

Fees charged on pension assets

Fees charged on pension assets include fees for covering costs related to the investment of pension assets (fees for investment activities) and fees for covering operational and other expenses of KPSTOP not related to the investment of pension assets (fees for operational activities). Both sets of fees are approved by the Assembly of the Republic of Kosovo in accordance with Law No. 04/L-168, following written requests from the Governing Board. Fees remain in force until replaced by the Assembly.

Both investment and operational fees are charged daily on the gross value of pension assets at their respective rates, thereby reducing the net value of participants' assets. The formula for calculating respective daily fees to be charged is:

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

Fees become due and are received monthly in arrears.

Interest income

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from term deposits, cash and cash equivalents.

3.7 Investment expenses

Open-end vehicle net fees

Open-end vehicle net fees include fees charged by open-end and exchange-traded funds for the management of pension assets, net of rebates they may or may not provide. The fees are recognised on daily basis based on the prospectus of the fund, or a separate agreement if any. The fees can be withheld directly from the fund, thereby reducing the net value of assets, or they can be invoiced, in which case they are paid for in arrears.

Brokerage fees

KPSTOP pays a commission and other fees for all the buy and sell trades of pension assets placed via brokerage agents. Such costs are immediately expensed.

Custody fees

KPSTOP pays a fee for custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments, as a percentage which is based on the value of funds in safekeeping. These fees are recognised quarterly over the period. These fees become due and are paid quarterly in arrears.

Other investment expenses

Other investment expenses include costs of subscription to professional terminals (for investment analysis, price quotations, and market updates), and any other expenses related to the activities for the investment of pension assets.

3.8 Pension costs

KPSTOP makes no provision and has no obligation for employees' pensions over and above the contributions paid into the above-mentioned pension scheme.

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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 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 KPSTOP 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

Rate is based on what KPSTOP 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 2023. 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 obsolescence.

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 3.15.5, 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.

3.14 Reserve

Operational reserve is part of net assets attributable to KPSTOP, 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 can only be replenished from the surplus from operating activities with the decision of the Governing Board. During 2023 the Governing Board decided to increase the maximum level of the Reserve to EUR 6,000,000 (2022: EUR 5,000,000) and chose to add EUR 1,000,000 thereby fully replenishing the reserve.

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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial risk management

3.15.1 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 KPSTOP 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 KPSTOP 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. KPSTOP 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 KPSTOP (term deposits) were of fixed interest rates.

3.15.2 Liquidity risk

Liquidity risk is the risk that KPSTOP 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 KPSTPA, 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 KPSTOP. The table is prepared on the basis of undiscounted cash flows.

	As at December 31 2023			As at December 31 2022		
	1-6 Months	6-12 months	12-60 months	1-6 months	6-12 months	12-60 months
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Cash and cash equivalents	363,264	-	-	1,028,264	-	-
Term deposits	-	6,818,415	-	-	5,759,257	-
Account receivables	631,337	-	-	617,882	-	-
	994,601	6,818,415	-	1,646,146	5,759,257	-
Financial Liabilities						
Account payables and accruals	650,320	-	-	922,049	-	-
Lease liabilities (see note 10)	29,700	29,700	178,200	29,700	29,700	237,600
	680,020	29,700	178,200	951,749	29,700	237,600
Maturity gap	314,581	6,788,715	(178,200)	694,397	5,729,557	(237,600)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial risk management (continued)

3.15.3 Fair value measurement

Financial assets and liabilities are grouped into three fair value hierarchical levels based on the significance of the incoming data used during the measurement of the fair value of the financial instrument:

- 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 KPSTOP measured at fair value.

The carrying value of cash and cash equivalents, term deposits, account receivables and account payables are a reasonable approximation of their fair value due to their short-term maturity. The fair value of lease liabilities is estimated by discounting future lease payments at the incremental borrowing rate.

Financial instruments 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, 2023 and 2022.

	Level	As at December 31 2023		As at December 31 2022	
		Carrying Value	Fair value	Carrying Value	Fair value
		EUR	EUR	EUR	EUR
Financial assets					
Cash and cash equivalents	2	363,264	363,264	1,028,264	1,028,264
Term deposits	2	6,818,415	6,839,317	5,759,257	5,776,554
Account receivables	3	631,337	631,337	617,882	617,882
		7,813,016	7,833,918	7,405,403	7,422,700
Financial liabilities					
Account payables and accruals	3	650,320	650,320	922,049	922,049
Lease liabilities	2	212,905	212,905	258,961	258,961
		863,225	863,225	1,181,010	1,181,010

3.15.4 Operational risk

Operational risk is the risk of financial loss to KPSTOP 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial risk management (continued)

3.15.5 Credit risk

Credit risk is the risk of financial loss to KPSTOP if a customer or counterparty to financial instruments fails to meet its contractual obligations.

Credit quality analyses

The KPSTOP 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, 2023, placements were with four banks, with 38% being the highest placement in one bank (2022: three banks, 56% being the highest placement in one bank).

Excepted Credit Loss (ECL)

At each reporting date, KPSTOP measures the loss allowance on financial assets measured at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, KPSTOP measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts may be credit impaired.

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

Measurement of ECL

In estimating ECL, KPSTOP 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, 2023.

4 CASH AND CASH EQUIVALENTS

	As at December 31 2023	As at December 31 2022
	EUR	EUR
Banka për Biznes – Current account	251,175	293,048
ProCredit Bank - Current account	78,471	700,854
Banka Kombëtare Tregtare – Current account	24,711	24,979
Other local banks	8,797	9,013
Cash in hand	110	370
Total cash and cash equivalents	363,264	1,028,264

5 TERM DEPOSITS

	As at December 31 2023	As at December 31 2022
	EUR	EUR
Term deposits gross of provisions for expected credit losses	6,839,317	5,776,554
Provision for expected credit losses	(20,902)	(17,297)
Term Deposits	6,818,415	5,759,257

As at December 31, 2023 KPSTOP 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 0.80 years, and average interest rate (weighted) of 3.14%. The deposits are all placed with commercial banks licensed and operating in the Republic of Kosovo.

As at December 31, 2022 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 of 2.42%.

Net movements in provisions for expected credit losses are:

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2022	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
Additions to provision due to new placements	20,902	-	20,902
Releases in provision due to maturity	(17,297)	-	(17,297)
Net movement of provisions for expected credit losses for the year	3,605	-	3,605
As at December 31, 2023	20,902	-	20,902

Movements in term deposits and Kosovo Treasuries during years 2023 and 2022 were:

	Term deposits	Kosovo Treasuries	Debt instruments
	EUR	EUR	EUR
As at January 1, 2022	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
New placements	6,800,000	-	6,800,000
Interest earned	162,048	-	162,048
Interest – received	(139,285)	-	(139,285)
Principal – matured	(5,760,000)	-	(5,760,000)
Net movement of provisions for expected credit loss	(3,605)	-	(3,605)
As at December 31, 2023	6,818,415	-	6,818,415

6 ACCOUNT RECEIVABLES AND PREPAYMENTS

	As at December 31 2023	As at December 31 2022
	EUR	EUR
Account receivables		
Net receivables from KPSTPA	581,097	564,679
Rebates and other receivables	50,240	53,203
	631,337	617,882
Prepayments	17,244	16,476
Total account receivables and prepayments	648,581	634,358

Net receivables from KPSTPA consists of fees charged on participants' accounts as well as the difference from refunds of erroneous contributions; were received after reporting date. Rebates receivable consist of rebates on fees charged by open-end funds not received up to the reporting date.

7 CONTINGENT ASSETS AND LIABILITIES

As at December 31, 2023 and 2022, KPSTOP had no contingent assets nor liabilities.

8 COMMITMENTS

As at December 31, 2023 and 2022, KPSTOP had no commitments other than lease liabilities, as per the policy disclosed in Note 3.4.2 "Leases".

9 PROPERTY 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, 2022	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
Additions for the year	6,106	1,570	-	-	-	7,676
Write-offs for the year	(4,485)	(1,014)	(22,762)	-	-	(28,261)
As at December 31, 2023	416,211	26,650	41,869	53,365	591,153	1,129,248
Accumulated depreciation						
As at January 1, 2022	(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)
Charge for the year	(22,680)	(1,190)	(1,424)	-	-	(25,294)
Eliminated through write-offs	4,485	1,014	22,762	-	-	28,261
As at December 31, 2023	(400,090)	(23,446)	(38,796)	(53,365)	-	(515,697)
Net book value						
As at December 31, 2023	16,121	3,204	3,073	-	591,153	613,551
As at December 31, 2022	32,695	2,824	4,497	-	591,153	631,169

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. In 2022 KPST was denied the permission to construct offices, bigger in volume and size than those of the ruins and fully dilapidated buildings in the plot. During 2023 KPST applied and obtained the permission to construct its headquarter offices within the perimeter and volumes of existing buildings. As of the date of this report no building / procurement procedures for the work were initiated.

During 2023 and 2022 KPSTOP has written off only fully depreciated assets.

As at 31 December 2023 and 2022, there are no encumbrances over KPSTOP assets.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets		Lease liabilities
	EUR		EUR
Cost			
As at January 1, 2022	232,293	As at January 1, 2022	52,482
Additions for the year	250,474	Additions for the year	250,474
As at December 31, 2022	482,767	Interest for the year	10,005
Additions for the year	-	Payments during the year	(54,000)
As at December 31, 2023	482,767	As at December 31, 2022	258,961
		Interest for the year	13,344
		Payments during the year	(59,400)
		As at December 31, 2023	212,905
Accumulated depreciation			
As at January 1, 2022	(185,834)		
Charge for the year	(48,291)		
As at December 31, 2022	(234,125)		
Charge for the year	(49,715)		
As at December 31, 2023	(283,840)		
Net book value			
As at December 31, 2023	198,627		
As at December 31, 2022	248,642		

During the year ended December 31, 2023, KPSTOP had only one lease, for its office, identified as a right-of-use asset on the statement of financial position (2022: only one lease). 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 extended in June 2022 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, 2023 the discounted lease liabilities amounting EUR 212,905 consist of EUR 48,730 in short-term and EUR 164,175 long-term lease liabilities. The undiscounted lease liabilities amount to EUR 237,600 of which EUR 59,400 are short-term and EUR 178,200 long-term.

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.

11 INTANGIBLE ASSETS

	Software and Licenses
	EUR
Cost	
As at January 1, 2022	369,306
Additions for the year	50,819
Write-offs for the year	(271,824)
As at December 31, 2022	148,301
Additions for the year	57,953
Write-offs for the year	-
As at December 31, 2023	206,254
Accumulated amortisation	
As at January 1, 2022	(338,528)
Charge for the year	(14,622)
Eliminated through write-offs	271,824
As at December 31, 2022	(81,326)
Charge for the year	(25,383)
Eliminated through write-offs	-
As at December 31, 2023	(106,709)
Net book value	
As at December 31, 2023	99,545
As at December 31, 2022	66,975

During 2023 KPSTOP did not write-off any intangible assets. During 2022 KPSTOP wrote-off only fully amortised intangible assets.

12 ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31 2023	As at December 31 2022
	EUR	EUR
Payables for investment activities	527,306	791,353
Accruals for printing and mailing member account statements	88,943	80,244
Other accounts payable and accruals	34,071	50,452
Total accounts payable and accruals	650,320	922,049

As at December 31, 2023 the balance of payables for investment activities includes management fees invoiced by managers of open-end vehicles in the amount of EUR 526,563 (2022: EUR 790,610).

13 SURPLUS

	2023			2022		
	Operational Activities	Investment Activities	Total	Operational Activities	Investment Activities	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Income for the year						
Income from fees charged	1,288,637	8,132,780	9,421,417	1,337,980	7,511,466	8,849,446
Other income	174,817	-	174,817	80,623	-	80,623
	1,463,454	8,132,780	9,596,234	1,418,603	7,511,466	8,930,069
Expenses for the year	(1,054,703)	(5,846,523)	(6,901,226)	(1,139,768)	(6,695,395)	(7,809,163)
Provisions for expected credit losses, net increase	(3,605)	-	(3,605)	(14,333)	-	(14,333)
Increase in net assets attributable to KPST Operations	405,146	2,286,257	2,691,403	264,502	816,071	1,080,573
Surplus at the start of the year	944,732	1,242,923	2,187,655	680,230	426,852	1,107,082
Paid to pension assets (KPSTPA)	-	(2,000,000)	(2,000,000)	-	-	-
Reserve replenishment	(1,000,000)	-	(1,000,000)	-	-	-
Surplus at the end of the year	349,878	1,529,180	1,879,058	944,732	1,242,923	2,187,655

During 2023 the Governing Board decided to refund EUR 2,000,000 to pension assets (KPSTPA) from surpluses from investing activities. Furthermore, following the increase of the reserve ceiling to EUR 6,000,000, the Governing Board decided to replenish the reserve with EUR 1,000,000.

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

14 FEES CHARGED ON PENSION ASSETS

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Fees charged for investment activities	8,132,780	7,511,466
Fees charged for operational activities	1,288,637	1,337,980
Total fees charged on pension assets	9,421,417	8,849,446

Fees are charged on daily basis as disclosed in Note 3.6 of these financial statements. The Applicable fee rates 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, 2022	February 7, 2023	0.320% p.a.	0.057% p.a.	0.377% p.a.
February 8, 2023	December 31, 2023	0.320% p.a.	0.050% p.a.	0.370% p.a.

15 OTHER INCOME

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
<i>Operational activities</i>		
Interest income calculated using the effective interest rate method (on deposits and current account)	166,333	82,803
Adjusting for the difference from contribution refunds	8,454	(3,290)
Other income from operating activities	30	1,110
Total other income	174,817	80,623

16 OPEN-END VEHICLE NET FEES

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Gross fees	5,750,760	6,206,678
Rebates	(240,522)	(166,095)
Open-end vehicle net fees	5,510,238	6,040,583

Detailed list of fees charged and rebates given by open-end vehicles and exchange-traded funds for the year ended December 31, 2023 and 2022 are provided in the financial statements for KPSTPA.

17 BROKERAGE, CUSTODY AND OTHER INVESTMENT EXPENSES

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Brokerage fees	115,818	434,930
Custody fees	152,864	121,940
Transfer charges	39,138	56,889
Terminals and other expenses	28,465	41,053
Total brokerage, custody and other investment expenses	336,285	654,812

18 STAFF COSTS

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Staff salaries	537,045	484,658
Employer's pension contributions	30,670	28,943
Cost of the Collective Agreement	59,893	79,246
Other staff costs	14,413	32,308
Total staff costs	642,021	625,155

19 GOVERNING BOARD EXPENSES

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Trustees' honoraria	51,863	84,475
Employer's pension contributions	2,192	3,633
Meetings (Travel/Hotel/Other costs)	5,601	6,230
Fiduciary Insurance	2,950	38,320
Total Governing Board expenses	62,606	132,658

20 OTHER OPERATING EXPENSES

	Year ended December 31 2023	Year ended December 31 2022
	EUR	EUR
Office operating expenses	38,729	34,018
Professional services/Contractors/Consultants	25,128	20,489
CBK supervision charges	19,530	20,070
External audit	15,700	11,200
Lease interest	10 13,344	10,005
Software maintenance	12,243	30,806
Training, travel and other staff expenses	6,548	8,568
Communication	5,889	6,232
Public education and advertising	6,213	5,599
Bank charges	2,141	2,105
Other costs	4,435	15,573
Total other operating expenses	149,900	164,665

21 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.

KPSTOP manages and has full control over the investments of KPSTPA, i.e. pension assets. Transactions between the two relate to (a) KPSTOP being financed from fees charged on pension assets 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 KPSTPA from KPSTOP, 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, 2023 and 2022, are disclosed in Note 19 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, 2023 was EUR 175,183 (2022: EUR 158,012). Out of the total for the year ended December 31, 2023, salaries amounted EUR 152,409; employer pension contributions amounted EUR 8,405; and bonuses, per-diems and other additions amounted EUR 14,369.

22 EVENTS AFTER THE REPORTING PERIOD

After December 31, 2023 there are no subsequent events that require adjustment or further disclosure in these financial statements.