



Grant Thornton

Financial Statements and Independent Auditor's Report

Fondi Slloveni Kosovar i Pensioneve Sh.a.

31 December 2008

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Independent Auditor's Report

To the Management and Shareholders of

the Fondi SIloveno Kosovar i Pensioneve Sh.a.

We have audited the accompanying financial statements of the Fondi SIloveno Kosovar i Pensioneve Sh.a. (further referred as "the Company" or "FSKP") which comprise of the Balance sheet as at 31 December 2008, and the Statement of income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 21.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements of the Company present fairly, in all material respects, the financial position as of 31 December 2008, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the following:

As disclosed in Note 3.5 to the financial statements, according to the provisions of the Law no. 03/L-084 amending UNMIK Regulation No. 2005/20 on pensions in Kosovo and the Rule 4 on the Licensing of Asset Managers of Pension Assets, the minimum amount of equity required of an Asset Manager for Pension Assets is Euro 4,000,000.

As of 31 December 2008, the Company's equity amounts to Euro 3,831,834, which is not in compliance with the above stated legal provisions.



Grant Thornton,

Skopje,
26 January 2009

Statement of Income

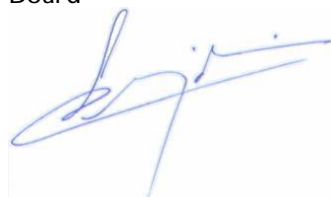
		(In Euro)	
	Notes	Year ended 31 December	
		2008	2007
Income generated from Fund management			
Management fee for Fund 1		32,062	1,365
Management fee for Fund 2	4	91,544	-
Entrance fee		39,977	11,456
Exit fee		372	-
		163,955	12,821
Financial results, net			
Interest income	5	105,861	141,957
Interest expense		(401)	(5,164)
Dividend income		2,735	-
Amortization of the discount of securities with fixed maturity		70,158	-
Unrealized (loss) from securities available for sale, net	9	(35,623)	(2,676)
Loss from securities available for sale sold	9	(252,109)	(129,367)
		(109,379)	4,750
Other operating income		580	1,113
Other operating expenses	6	(483,992)	(420,714)
(Loss) before income tax		(428,836)	(402,030)
Income tax expense	7	-	-
(Loss) for the year		(428,836)	(402,030)

Balance Sheet

	Notes	(In Euro)	
		2008	At 31 December 2007
Assets			
Cash and cash equivalents	8	177,811	51,865
Securities available-for-sale	9	413,323	3,190,644
Securities held-to-maturity	10	1,479,124	-
Placements with banks	11	1,075,948	65,000
Property, plant and equipment	12	638,646	687,872
Intangible assets	13	73,581	95,128
Other receivables	14	57,021	40,217
Total assets		3,915,454	4,130,726
Liabilities			
Trade and other liabilities	15	16,137	42,742
Deferred income	4	67,483	-
		83,620	42,742
Equity			
Share capital	16	4,000,000	4,000,000
Share premium		600,000	400,000
Reserves		104,476	104,476
Accumulated (loss)		(872,642)	(416,492)
		3,831,834	4,087,984
Total liabilities and equity		3,915,454	4,130,726

These financial statements have been approved by the Supervisor Board and signed on its behalf by,

Mr. Dardan Sejdiu,
Mikulic,
 President of the Executive Board
 Board



Mr. Bostjan
 Member of the Executive



Statement of Changes in Equity

	Share capital	Share premium	Reserves	Retained Earnings	(In EUR) Total
At 01 January 2007	4,000,000	200,000	-	(14,413)	4,185,587
Additions	-	200,000	-	-	200,000
Revaluation of fixed assets	-	-	104,476	-	104,476
Correction	-	-	-	(49)	(49)
(Loss) for the year	-	-	-	(402,030)	(402,030)
At 31 December 2007	4,000,000	400,000	104,476	(416,492)	4,087,984
At 01 January 2008 – as stated	4,000,000	400,000	104,476	(416,492)	3,983,508
Restatements (note 9)	-	-	-	(27,314)	(27,314)
At 01 January 2008	4,000,000	400,000	104,476	(443,806)	3,956,194
Additions (Note 16)	-	200,000	-	-	200,000
Revaluation of fixed assets	-	-	-	-	104,476
(Loss) for the year	-	-	-	(428,836)	(428,836)
At 31 December 2008	4,000,000	600,000	104,476	(872,642)	3,831,834

Statement of Cash Flows

	Notes	(In EUR)	
		Year ended 31 December 2008	2007
Operating activities			
(Loss) for the year		(428,836)	(402,030)
Depreciation		70,592	56,595
Loss from securities available for sale sold		252,109	129,367
Unrealized loss from securities available for sale, net		35,623	2,676
Dividend income		(2,735)	-
Net present value of disposed equipment		-	83
Interest income, net		(176,198)	(136,793)
Income generated from Funds management		(163,955)	(12,821)
<i>(Loss) before changes in operating assets</i>		<i>(413,400)</i>	<i>(362,923)</i>
<i>Changes in operating assets</i>			
Placements with Banks		(1,010,948)	5,000
Other receivables		(7,498)	5,167
Other liabilities and deferred income		40,878	22,449
<i>Gain(Loss) after changes in operating assets</i>		<i>(1,390,968)</i>	<i>(330,307)</i>
Interest received		169,255	103,905
Funds' management fees received		161,993	12,821
Interest paid		(401)	(5,164)
		(1,060,121)	(218,745)
Investment activities			
Disposal/(purchase) of buildings and equipment		181	(635,120)
Investment in securities held-to-maturity		(1,479,124)	-
Disposal/(Investment) in available-for-sale securities		2,462,275	(3,322,687)
Dividends received		2,735	-
		986,067	(3,957,807)
Financial activities			
Capital increase		200,000	200,000
		200,000	200,000
Net change in cash and cash equivalents		125,946	(3,976,552)
Cash and cash equivalents at beginning	8	51,865	4,028,417
Cash and cash equivalents at end	8	177,811	51,865

Notes to the financial statements

1 General

The Fondi Sllloveno Kosovar i Pensioneve Sh.a. (hereinafter "the Company" or "FSKP") was constituted as a joint-stock company as of 29 August 2006 with business registration number 70378739. The Company started its operations as of 04 September 2006. The Company is located at Nëna Terezë Nr. 33, 10000 Prishtina, Republic of Kosovo.

The principal shareholders of the Company are Prva Pokojninska Druzba, Slovenia and Corporation Dukagjini, Republic of Kosovo.

The main operations of the Company are as follows: management of pension funds, their representation in front of third parties and all other activities connected to the pension funds.

Since its inception until the beginning of 2008, the Company was managing one voluntary pension fund (further referred to as "Fund 1"). During the year ended 31 December 2008, the Company signed Agreements with KEK Supplementary pension insurance fund in liquidation (further referred to as "KEK") and PTK Supplementary pension fund in liquidation (further referred to as "PTK") for managing their assets and payment of monthly annuities according to the predetermined pension plans provided by KEK and PTK. The assets of KEK and PTK comprise the second pension fund under management of FSKP (further referred to as "Fund 2").

At 31 December 2008, the Company performed its business activities with 9 employees (2007: 7 employees).

2 Accounting policies

The principal accounting policies adopted in preparation of these financial statements are set out below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial reporting Standards (IFRS). 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 Company's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimations.

The financial statements have been prepared as of and for the years ended 31 December 2008 and 2007. Current and comparative data stated in these financial statements are expressed in Euros. Where necessary, comparative figures have been reconciled to conform with changes in presentation for the year.

Basis of preparation (continued)**(a) Interpretations effective in 2008**

- **IFRIC 11 - IFRS 2 – Group and treasury share transactions**, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements.
- **IFRIC 12 - Service concession arrangements**, applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the Company does not provide for public sector services.
- **IFRIC 13 - Customer loyalty programs**, clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programs.
- **IFRIC 14 - IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction**, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not relevant to the Company's operations because the Company does not operate any defined benefit asset.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them.

- **IFRS 8 - Operating segments** (effective from 1 January 2009), introduces the 'management approach' to segment reporting, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard will have no effect on the Company's reported total profit or loss or equity. Currently the Company does not present segment information since there are no distinguishable business and geographical segments

Notes to the financial statements (continued)
Accounting policies (continued)

Basis for preparation (continued)

- **IAS 1 (Revised) - Presentation of financial statements** (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- **IAS 23 Borrowing Costs (Revised)** (effective from 1 January 2009). The revised standard removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the asset's cost. In accordance with the transitional requirements, the Company will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Company's 2009 financial statements.
- **IFRS 3 Business Combinations (Revised 2008)** (effective from 1 July 2009). The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.
- **IAS 27 Consolidated and Separate Financial Statements (Revised 2008)** (effective from 1 July 2009). The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Company's interest in subsidiaries. Management does not expect the standard to have a material effect on the Company's financial statements.
- **Amendments to IFRS 2 Share-based Payment** (effective from 1 January 2009). The IASB has issued an amendment to IFRS 2 regarding vesting conditions and cancellations. Management does not consider the amendments to have an impact

Notes to the financial statements (continued)
Accounting policies (continued)

on the Company's accounting policies since the Company does not operate any share - based payment schemes

- **Annual Improvements 2008.** The IASB has issued Improvements for International Financial Reporting Standards 2008. Most of these amendments become effective in annual periods beginning on or after 1 January 2009. The Company does not expect these amendments to have any significant impact on the Company's financial statements.

2.2 Foreign exchange translation

Transactions in foreign currencies are recorded in accordance with the valid exchange rate as of the date of the transaction. The differences are recorded in the income statement as gains/losses.

2.3 Offsetting

Financial assets and liabilities are offset and reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

2.4 Revenues recognition

Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably.

The Company recognizes revenues by charging the following types of fees:

- entrance fee equal to 3% from the total amount of contributions paid into Fund 1, prior to contribution being converted into accounting units;
- management fee equal to 1.5% on daily basis of the total assets of Fund 1;
- percentage of the interest received on the deposited assets of Fund 2.

2.5 Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing financial assets and liabilities using the effective interest method.

2.6 Fee and commission income

Fee and commission income is recognized in the income statement on an accrual basis when the service has been provided.

2.7 Dividend income

Dividends are recognized in the income statement when the entity's right to receive payment is established.

2.8 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. The Company has no assets classified in this category.

Notes to the financial statements (continued)
Accounting policies (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise of cash and cash equivalents and other receivables in the balance sheet.

Financial assets, continued

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

Notes to the financial statements (continued)
Accounting policies (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described further in this note.

2.9 Intangible assets

Computers software

Costs associated with development or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with identifiable and unique software products controlled by the Company that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognized as assets are amortized using the straight-line method over a period of four years.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method over a period of four years.

2.10 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes all expenses directly attributable to acquisition of the items.

Depreciation is charged on a straight-line basis at prescribed rates in order to allocate the revalued cost of property, plant and equipment over their useful lives.

The following are approximations of the annual depreciation rates applied to significant items of property, plant and equipment:

Buildings	5%
Furniture and equipment	20%
Intangible assets	20%

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements (continued)
Accounting policies (continued)

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition and comprise only cash and placements with banks.

2.12 Employee benefits

The Company contributes to its employees' post retirement plans as prescribed by the social security legislation enacted by UNMIK. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions. There is no additional liability regarding these plans and thus such schemes are considered as defined contribution plans. The Company has no post retirement benefits to its employees.

2.13 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is calculated and paid in accordance with UNMIK regulation No. 2002/3. Final tax on profit at a rate of 20% are payable based on the annual profit shown in the statutory statement of income as adjusted for items, which are non-assessable or disallowed. According to the current tax legislation, Tax losses may be carried forward to be set of the next five years following the year in which the tax loss was incurred.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred income tax. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company has not recognized any deferred tax liability or asset at 31 December 2008 and 2007, as there are no temporary differences existing at those dates.

2.14 Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Notes to the financial statements (continued)
Accounting policies (continued)

2.15 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(c) Treasury shares

Where the Company purchases equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.16 Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2.17 Transactions with related parties

Related parties are defined as those parties which have control over each other or have an influence on the financial and operational decisions of each other.

The Company's related parties are Prva Group from Ljubljana, Slovenia and Corporation Dukagjini from Peja, Republic of Kosovo, which are the shareholders of the Company.

Notes to the financial statements (continued)

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Risk Management Department under policies approved by the Supervising Board. This department identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

3.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business activities. Therefore, the Company's management carefully manages its exposure to credit risk.

3.2 Market risks

The Company is exposed to market risks. Market risks arise from the open position of the Company to the effect of fluctuation in the prevailing level of market interest rates, as well as from the effect of fluctuation in the foreign exchange rates. The Company's management sets limits of the value of risk that may be accepted, which is mainly based on a day – by – day monitoring.

Interest rate risk

The Company takes on exposure to effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as of 31 December 2008 and 31 December 2007 (in Euros).

	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	177,811	-	-	-	-	-	177,811
Securities available-for-sale	-	383,245	-	-	-	30,078	413,323
Securities held-to-maturity	-	-	-	1,479,124	-	-	1,479,124
Placements with banks	-	-	1,075,948	-	-	-	1,075,948
Accounts receivable (other assets)	-	-	-	-	-	57,022	57,022
	177,811	383,245	1,075,948	1,479,124	-	87,100	3,203,228
Liabilities							
Trade and other liabilities	-	-	-	-	-	83,620	83,620
	-	-	-	-	-	83,620	83,620
Net liquidity gap	177,811	383,245	1,075,948	1,479,124	-	3,480	3,119,608
31 December 2007							
Total assets	51,865	-	2,742,598	-	-	553,263	3,347,726

Notes to the financial statements (continued)

Total liabilities	-	-	-	-	-	42,742	42,742
Net liquidity gap	51,865	-	2,742,598	-	-	510,521	3,304,984

Notes to the financial statements (continued)
Financial risk management (continued)

Foreign currency risk

The Company takes on exposure to effects on fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The following tables summarize the net foreign currency risk position of the Company at 31 December 2008 and 2007 (in Euros).

	In EUR	in USD	Other currencies	Total
Assets				
Cash and cash equivalents	177,811	-	-	177,811
Securities available-for-sale	413,323	-	-	413,323
Securities held-to-maturity	1,479,124	-	-	1,479,124
Placements with banks	1,075,948	-	-	1,075,948
Accounts receivable (other assets)	57,022	-	-	57,022
Total assets	3,203,228	-	-	3,203,228
Liabilities				
Trade and other liabilities	83,620	-	-	83,620
Total liabilities	83,620	-	-	83,620
Net foreign currency risk	3,119,608	-	-	3,119,608
31 December 2007				
Total assets	3,090,695	212,830	44,201	3,347,726
Total liabilities	42,742	-	-	42,742
Net liquidity gap	3,047,953	212,830	44,201	3,304,984

3.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan draw downs and other cash calls.

The tables below analyses assets and liabilities of the Company as of 31 December 2008 and 2007 into relevant maturity based on the remaining period at balance sheet date to the contractual maturity date (in Euros).

	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	177,811	-	-	-	-	177,811
Securities available-for-sale	-	383,245	-	-	30,078	413,323
Securities held-to-maturity	-	-	-	1,479,124	-	1,479,124
Placements with banks	-	-	1,075,948	-	-	1,075,948
Accounts receivable (other assets)	15,150	-	3,758	38,114	-	57,022
Total assets	192,961	383,245	1,079,706	1,517,238	30,078	3,203,228
Liabilities						
Trade and other liabilities	-	-	16,137	67,483	-	83,620
Total liabilities	-	-	16,137	67,483	-	83,620
Net liquidity gap	192,961	383,245	1,063,569	1,449,755	30,078	3,119,608
31 December 2007						
Total assets	92,082	-	3,255,644	-	-	3,347,726
Total liabilities	42,742	-	-	-	-	42,742
Net liquidity gap	49,340	-	3,255,644	-	-	3,304,984

Notes to the financial statements (continued)
Financial risk management (continued)

3.4 Fair value estimation

Fair value represents the amount at which an asset could be replaced or a liability settled on an arms length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities not presented on balance sheet at their fair value.

	Carrying value		Fair value	
	2008	2007	2008	2007
Assets				
Cash and cash equivalents	177,811	51,865	177,811	51,865
Placements with banks	1,075,948	65,000	1,075,948	65,000
Securities held-to-maturity	1,479,124	-	1,517,237	-
Other receivables	57,022	40,217	57,022	40,217
Total assets	2,789,905	157,082	2,828,018	157,082
Liabilities				
Trade and other liabilities	83,620	42,742	83,620	42,742
Total liabilities	83,620	42,742	83,620	42,742

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and the carrying value of payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.5 Capital management

The Company's objectives regarding capital managements are:

- To comply with the capital requirements by the regulator,
- To safeguard the Company's ability to continue to operate as a going concern, and
- To maintain a strong capital base to support the development of its business.

The Company is obliged to manage the structure of its capital which consists of debt, cash and cash equivalents and equity attributable to equity holders, comprising paid-in capital and retained earnings.

Compliance with legal provisions

According to the provisions of the Law no. 03/L-084 amending UNMIK Regulation No. 2005/20 on pensions in Kosovo and the Rule 4 on the Licensing of Asset

Notes to the financial statements (continued)
Financial risk management (continued)

Managers of Pension Assets, the minimum amount of equity required of an Asset Manager for Pension Assets is Euro 4,000,000.

As of 31 December 2008, the Company's equity amounts to Euro 3,831,834, which is not in compliance with the above stated legal provisions.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2008 and 2007
(All amounts are expressed in Euro, unless otherwise stated)

4 Management fee for Fund 2

	2008	2007
Management fee – KEK pension fund	87,937	-
Management fee – PTK pension fund	3,607	-
	91,544	

The Management fees for servicing KEK pension fund refers to the Agreement signed with Kosovo Energy Cooperation, Prishtina ("KEK") for the period ending 01 October 2011 and amounts to Euro 155,420. During the year ended 31 December 2008, the Company recognized income in its books in the amount of Euro 87,937. The amount of Euro 67,483 will be deferred for covering Management fees for the period ending 01 October 2011.

5 Interest income

	2008	2007
Interest income from securities available-for-sale	47,682	100,494
Interest income on deposits	58,179	41,463
	105,861	141,957

6 Other operating expenses

	2008	2007
Salaries and other personnel costs	167,282	143,476
Administrative expenses	128,127	118,352
Depreciation (Note 12,13)	70,592	56,595
Advisory services and maintenance of custody account	38,156	-
Communication expenses	16,568	33,074
Material expenses	33,080	22,545
Taxes and contributions	11,676	9,764
Audit	6,900	-
Marketing and advertising	3,152	5,201
Bank charges	4,989	4,915
Other expenses	3,470	26,792
	483,992	420,714

7 Income tax expense

According to the UNMIK Regulation No. 2002/3, forcible 01 April 2002, the Company is required to pay income tax at a rate of 20% on the taxable profit as calculated in the annual Income Tax Return Statement. The Company incurred loss from its operations for 2008 and 2007 and has no income tax liability for the periods referred.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2008 and 2007
(All amounts are expressed in Euro, unless otherwise stated)

8 Cash and cash equivalents

	2008	2007
Cash in hand	446	-
Current account - Kasabank	1,704	27,045
Current account - Raiffeisen Bank, Republic of Kosovo	48,909	838
Current account - Central Bank of Republic of Kosovo (CBK)	279	281
Current account - Pro Credit Bank	4,168	-
Current account - Banka Ekonomike	1,854	-
Custody account - NLB, Slovenia	120,451	23,701
	177,811	51,865

As at 31 December 2008 and 2007 the Company does not earn any interest on the current accounts with banks.

9 Securities available-for-sale

As of 31 December 2008 and 2007 securities available-for-sale consist of the following type of securities:

	2008	2007
<u>Debt securities</u>		
- Corporate bonds	284,324	1,477,360
- Government bonds	98,921	1,200,238
<u>Equity securities</u>		
- in Euro	30,078	295,674
- in foreign currency	-	217,372
	413,323	3,190,644

Following table provides for the movement of securities available for sale during 2008 and 2007:

	Debt securities	Equity securities	Total
At 31 December 2007 / 01 January 2008 – as stated	2,677,598	513,046	3,190,644
Restatement	3,897	(31,211)	(27,314)
At 31 December 2007 / 01 January 2008	2,681,495	481,835	3,163,330
Additions	-	182,640	182,640
Sales	(2,293,273)	(603,751)	(2,897,024)
Unrealized gain/(losses), net	(4,977)	(30,646)	(35,623)
At 31 December 2008	383,245	30,078	413,323
At 31 December 2006 / 01 January 2007	-	-	-
Additions	4,053,725	862,427	4,916,152
Sales	(1,342,240)	(380,592)	(1,722,832)
Unrealised gains / (losses)	(33,887)	31,211	(2,676)
At 31 December 2007	2,677,598	513,046	3,190,644

Subsequently, after the issuance the financial statements as of 31 December 2007, the Company's management made a correction on the carrying amount of AFS as of 31 December 2007, so as to bring the amount to the actual market value as of that date.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2008 and 2007
(All amounts are expressed in Euro, unless otherwise stated)

During the year ended 31 December 2008 the Company recognized loss from the sales of the securities available-for-sales in the total amount of Euro 252,109 (2007: Euro 129,367).

10 Securities held-to-maturity

	2008	2007
<u>Debt securities</u>		
- Corporate bonds	1,479,124	-
	1,479,124	-

11 Placements with banks

	2008	2007
Placement with banks NLB Kasabank	900,000	65,000
Placement with banks Banka Ekonomike	125,000	-
Placement with banks TEB	50,948	-
	1,075,948	65,000

The placements in banks are short-term and earn interest from 3.7% to 6.6% on annual basis.

12 Property, plant and equipment

	Buildings	Computer and other equipment	Total
At 01 January 2007			
Cost	-	29,081	29,081
Accumulated depreciation	-	(546)	(546)
Net carrying amount	-	28,535	28,535
Movements during 2007			
Opening net book value	-	28,535	28,535
Additions	550,000	51,299	601,299
Revaluation of fixed assets	104,390	-	104,390
Disposals	-	(2,399)	(2,399)
Depreciation	(26,882)	(17,071)	(43,953)
Closing net carrying amount	627,508	60,364	687,872
At 31 December 2007 / 01 January 2008			
Cost	654,390	77,898	732,288
Accumulated depreciation	(26,882)	(17,534)	(44,416)
Net carrying amount	627,508	60,364	687,872
Movements during 2008			
Opening net book value	627,508	60,364	687,872
Additions	-	519	519
Disposals	-	(700)	(700)
Depreciation	(32,724)	(16,321)	(49,045)
Closing net carrying amount	594,784	43,862	638,646
At 31 December 2008			
Cost	654,390	77,717	732,107

Notes to the financial statements (continued)
As of and for the year ended 31 December 2008 and 2007
(All amounts are expressed in Euro, unless otherwise stated)

Accumulated depreciation	(59,606)	(33,855)	(93,461)
Net carrying amount	594,784	43,862	638,646

Notes to the financial statements (continued)
As of and for the year ended 31 December 2008 and 2007
(All amounts are expressed in Euro, unless otherwise stated)

13 Intangible assets

	Cost	Accumulated depreciation	Net carrying amount
At 01 January 2007	74,017	(2,467)	71,550
Additions	36,220	-	36,220
Depreciation	-	(12,642)	(12,642)
At 31 December 2007	110,237	(15,109)	95,128
Movements during 2008			
Opening net book value	110,237	(15,109)	95,128
Depreciation	-	(21,547)	(21,547)
Closing net carrying amount	110,237	(36,656)	73,581
At 01 January 2008	110,237	(15,109)	95,128
Depreciation	-	(21,547)	(21,547)
At 31 December	110,237	(36,656)	73,581

The intangible assets of the Company consist entirely of the information system.

14 Other receivables

	2008	2007
Receivable form securities held-to-maturity	38,114	-
Prepayments	7,868	800
Management fee receivable	3,327	1,365
Receivables from interest on securities available-for-sale	2,352	38,052
Receivables from interest on placements with banks	4,930	-
Other receivables	430	-
	57,021	40,217

15 Trade and other liabilities

	2008	2007
Suppliers	15,050	26,209
Employees		
- Salaries	-	11,509
- Contribution	1,087	4,404
Other liabilities	-	620
	16,137	42,742

16 Share capital

At 31 December 2008, according to the Shareholder's Book at the balance sheet date, total share capital amounts to Euro 4,000,000.

During the year ended 31 December 2008 one of the shareholders, Dukagjini Sh.p.k., Peja, Republic of Kosovo has paid in additional capital in the amount of Euro 200,000. Share capital structure of the Company as of 31 December 2008 and 2007 is as follows:

	2008	2007
Prva Pokojninska Druzba D.D., Ljubljana, Slovenia	69.900%	76.825%
Dukagjini Sh.p.k., Peja, Republic of Kosovo	30.100%	23.175%
	100.000%	100.000%

Notes to the financial statements (continued)
 As of and for the year ended 31 December 2008 and 2007
 (All amounts are expressed in Euro, unless otherwise stated)

17 Transactions with related parties

The significant related party balances and transactions are presented as follows:

	2008	2007
Receivables	-	-
Liabilities	-	2,294
Income	-	-
Expenses	100,938	72,675

18 Contingencies

Litigations

At 31 December 2008 no provision for potential losses related to litigations has been accounted for. The Company's Management, regularly analyses potential risks resulting from losses regarding legal proceedings and possible claims aimed against the Company, which may arise in the future. Although the outcome of these matters cannot always be ascertained with precision, the management of the Company believes that no material liabilities are likely to result.

19 Subsequent events

Effective from 1 January 2009 and according to the local Income Tax Law, the income tax rate is changed at the level of 10% (up to 31 December 2008: 20%).

Subsequent to the balance sheet date and up to the date of issuance this Report, the Company has entered into an agreement with a local entity for sale of the Company's business premises for the amount of Euro 585,692.



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