Fondi Slloveno Kosovar i Pensioneve sh.a

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

WITH INDEPENDENT AUDITOR'S REPORT THEREON

Contents

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Fondi Slloveno Kosovar i Pensioneve Sh.a

We have audited the accompanying financial statements of **Fondi Slloveno Kosovar i Pensioneve sh.a** (the "Company") which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory Information.

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, 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.

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 about 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 auditors' 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 give a true and fair view of the financial position of the company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Certified Auditors Ltd

Ernst & Young Certified Auditors ltd

Pristina, 11 March 2014

STATEMENT OF FINANCIAL POSITION
as at December 31, 2013
(Amounts in Euro, unless otherwise stated)

	Notes		(In Euro) At 31 December
		2013	**2012**
Assets			
Cash and cash equivalents	3	27,370	5,064
Investments held-to-maturity	4	337,249	333,592
Property and equipment	5	3,668	5,524
Intangible assets	6	10,200	14,768
Other receivables	7	23,555	23,776
Total assets		**402,042**	**382,724**
Liabilities			
Trade and other liabilities	8	14,538	6,849
		14,538	**6,849**
Equity			
Share capital		400,000	400,000
Accumulated losses		(12,496)	(24,125)
		387,504	**375,875**
Total liabilities and equity		**402,042**	**382,724**

These financial statements have been approved by the Managing Board on March 04, 2014 and signed on its behalf by,

Mr. Bajram Bajrami,
Managing Director

The statement of financial position is to be read in conjunction with the notes set on pages 5 to 25, forming an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2013
(amounts in Euro, unless otherwise stated)

	Notes	31 December 2013	31 December 2012
Income generated from Fund management			
Management fee from Fund 1		71,163	63,715
Management fee from Fund 2		5,000	10,834
Entrance fee		11,265	11,197
Exit fee		2,172	1,310
		89,600	**87,056**
Financial results, net			
Interest income	10	18,026	17,458
Other income		-	552
Operating expenses	11	(95,997)	(111,220)
Profit before income tax		**11,629**	**(6,154)**
Income tax expense	12		
Profit for the year		**11,629**	**(6,154)**
Other comprehensive income		-	-
Total comprehensive income/(loss)for the year		**11,629**	**(6,154)**

The statement of comprehensive income is to be read in conjunction with the notes set on pages 5 to 25 forming an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2013
(amounts in Euro, unless otherwise stated)

	Share capital	Retained earnings	Total
Balance as at January 1, 2012	**400,000**	**(17,971)**	**382,029**
Increase in share capital	-	-	-
Net loss for the year	-	(6,154)	(6,154)
Other Comprehensive Income	-	-	-
Total Comprehensive Income for the Period	**-**	(6,154)	(6,154)
Balance as at December 31, 2012	**400,000**	**(24,125)**	**375,875**
Net income for the year	-	11,629	11,629
Other Comprehensive Income	-	-	-
Total Comprehensive Income for the Period	**-**	**11,629**	**11,629**
Balance as at December 31, 2013	**400,000**	**(12,496)**	**387,504**

The Statement of Changes in Equity is to be read in conjunction with the notes set on pages 5 to 25, forming an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended December 31, 2013
(amounts in Euro, unless otherwise stated)

	Notes	2013	2012
		(In EUR) Year ended 31 December	
Operating activities			
Profit\(Loss) for the year		**11,629**	**(6,154)**
Depreciation		6,424	12,504
Other income		-	(552)
Interest income, net		(18,026)	(17,458)
Income generated from Funds management		(89,600)	(87,056)
Cash flow from operations before changes in operating asets		*(89,573)*	*(98,716)*
Changes in operating assets			
(Maturity)\purchase of securities held to maturity		(3,183)	(18,200)
Increase in other receivables		862	(4,159)
Other liabilities		7,689	(5,616)
Cash flow from operations after changes in operating assets		***(84,205)***	***(126,691)***
Interest received		17,556	18,111
Funds' management fees received		88,955	93,642
Net cash generating by\(used in) operating activities		**22,306**	**(14,938)**
Investment activities			
(Purchase)/disposal/ of property and equipment		-	(9,524)
Investment in securities held-to-maturity		-	
Investment in securities available-for-sale		-	
Dividends paid		-	
Net Cash used in investing activities		**-**	**(9,524)**
Financial activities			
Capital withdrawal		-	-
Net cash from financing activities		**-**	**-**
Net change in cash and cash equivalents		**22,306**	**(24,462)**
Cash and cash equivalents at beginning	3	5,064	29,526
Cash and cash equivalents at end	3	**27,370**	**5,064**

The Statement of Cash Flows is to be read in conjunction with the notes set on pages 5 to 25, forming an integral part of the financial statements.

1. Background information

Fondi Slloveno 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 Rr.UCK, nr.50/2, 10000 Prishtina, Republic of Kosovo.

The principal shareholders of the Company are Prva Group PLC, Slovenia and Dukagjini sh.p.k, 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. KEK Supplementary pension insurance fund in liquidation”). As of 31 December 2013 KEK fund is liquidated The assets of PTK comprise the second pension fund under management of FSKP (further referred to as “Fund 2 and also contributors transferred from Fund 1 after retirement age.

At 31 December 2013, the Company performed its business activities with 4 employees (2012: 4 employees).

2. Summary of Significant Accounting Policies

The principal accounting policies that were adopted in the preparation of these financial statements are set out bellow. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that were issued by the International Accounting Standards Board.

2.2 Basis of preparation

These financial statements have been prepared using the significant accounting policies and measurement basis summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

These financial statements are presented in Euro, the European Union currency.

2.3 Changes in accounting policy and disclosures

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that were issued by the International Accounting Standards Board. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, revenue and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements have been prepared as of and for the years that ended 31 December 2013 and 2012. Current and comparative data stated in these financial statements are expressed in Euro. Where necessary comparative figures have been reclassified to conform to the current year presentation.

The accounting policies for the preparation of the financial statements have been consistently applied by the Company to the years 2012 and 2011, after taking into account the following amendments of the International Accounting Standards which were issued by the International Accounting Standards Board (IASB). The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012:

- **Amendment of IFRS 1** «Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters». The amendment does not apply to the financial statements of the Company.

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The relevant amendment has no effect on the company's financial statements.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The relevant amendment has no effect on the company's financial statements.

- **IFRS 7 - Disclosures - Transfers of financial assets (Amendment)**

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment has only disclosure effects. The amendment has no effect on these financial statements.

2.3 Changes in accounting policy and disclosures (continued)

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The relevant amendment has no effect on the company's financial statements

- **IFRS 12 Disclosures of Interests in Other Entities**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The relevant amendment has no effect on the company's financial statements.

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The relevant amendments have no effect on the company's financial statements.

IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

2.4 Standards issued but not yet effective and not early adopted

As at 31 December 2013 certain Standards, amendments to Standards and Interpretations that are published are not yet effective and have not been applied in preparing these financial statements. The Company plans to adopt these changes in accordance with their effective date. These pronouncements are as follows:

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Management has assessed that such amendment has no impact over the financial statements of the company.

- **IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7 - Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**

IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2013 but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;

2.4 Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (continued)

b) allow the changes to address the so-called ‘own credit’ issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. Management has assessed that such amendment will not have an impact on the company’s financial statements.

- **IAS 36 Impairment of Assets (Amended)-Recoverable Amount Disclosures for non-financial Assets**

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. Management has assessed that such amendment will not have an impact on the company’s financial statements.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. Management has assessed that such amendment will not have an impact on the company’s financial statements.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Management has assessed that such amendment will not have an impact on the company’s financial statements.

2.4 Standards issued but not yet effective and not early adopted (continued)

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Management has assessed that such amendment will not have an impact on the company's financial statements

- ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Management has assessed that such amendment will not have an impact on the company's financial statements.

- ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

2. Summary of Significant Accounting Policies (Continued)

2.5 Foreign exchange currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.6 Offsetting

Financial assets and liabilities are offset and reported in the financial position 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

2.7 Revenue 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;

amount of the interest received on the deposited assets of Fund 2 and based on management decisions

2.8 Interest income and expense

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

2.9 Fee and commission income

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

2.10 Dividents

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

2.11 Financial assets

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

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

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the "financial assets at fair value through profit and loss" category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

2.11 Financial assets (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 other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit and loss or available for sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

Trade receivables are classified in this category. They are recognized initially at fair value and subsequently measured at recoverable amounts, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Company has assets classified in this category.

Initial recognition and derecognition

Regular-way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as net realised gains/losses on financial assets.

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2.11 Financial assets (continued)

d) Available-for-sale financial assets (continued)
Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Company's right to receive payments is established. Both are included in the investment income line.
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis etc.

2.12 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at each Statement of financial position date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. Receivables with short – term maturities are not discounted. The carrying amount of the asset is reduced through the use of an allowance for impairment and the amount of the impairment loss is recognized in the current profits and losses.

Assets carried at fair value

The Company assesses at each Statement of financial position date whether there is objective evidence that a financial asset is impaired. Significant or prolonged decline in the fair value of the financial asset below its cost is considered as objective evidence in determining whether the assets are impaired. If any such evidence exists for financial assets available – for – sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value is recognized in the current profits and losses. If, in a subsequent period, the fair value of a debt instrument classified as available – for – sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in current profits or loss, the impairment loss is reversed through profits and losses.

2.13 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 five years.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method over their useful life.

2.14 Property and equipment

Property and equipment are carried at cost or deemed cost less accumulated depreciation.

Depreciation is charged on a straight-line basis in order to allocate the cost or deemed cost of property and equipment over their useful lives. The following are approximations of the annual depreciation rates applied to significant items of property and equipment:

The annual depreciation rates are as follows:

	As at balance sheet date
Computers	20%
Other equipment	20%
Intangibles	20%

Subsequent purchases are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when there is a probability of inflow of future economic benefits to the Company associated with the item and when the asset's purchase value can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income as expense during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit or loss when incurred.

2.15 Impairment of non-financial assets

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.

2.16 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.

2.17 Employee benefits

The Company makes no provision and has no obligation for employee pensions over and above the contributions paid into the state pension plan, Kosovo Pension Saving Trust (KPST).

2.18 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 Law no 03/L-162. Final tax on profit at a rate of 10% (2012: 10%) are payable based on the annual profit shown in the statutory statement of comprehensive income as adjusted for items, which are non-deductible 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 statement of comprehensive income 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 2013 and 2012, as there are no material temporary differences existing at those dates.

2.19 Borrowings

Borrowings are recognized initially at fair value of received inflows, minus the costs charged for the transaction. Borrowings are subsequently stated at their amortized acquisition value.

2.20 Share capital

a) Share capital

Share capital represents the nominal value of issued shares.

b) Costs related to issue of shares

Costs related to issues of new shares, options or gaining business activity are presented in the capital as a reduction, net from the tax, of the incomes.

c) Reserves

Reserves, which comprise of revaluation and statutory reserves, are generated throughout the period, based on gains/losses from revaluing financial and non-financial assets, as well as distributing accumulated gains based on legal regulation and decisions by the Company's management.

(e) Retained earnings

Retained earnings comprise of non-distributed earnings from the current and past periods.

(f) Dividends of ordinary shares

Common shares dividends are acknowledged in the period when approved by the Company's stakeholders. Dividends for the year that are published after the date of the balancing are disclosed in the note for subsequent events.

(amounts in Euro, unless otherwise stated)

2.21 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. In addition, a contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2.22 Transaction 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 PLC from Ljubljana, Slovenia and Corporation Dukagjini, Republic of Kosovo, which are the shareholders of the Company.

2.23 Events after the reporting date

Events after the reporting date that provide additional information about the Company's position at the financial position 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.

3. Financial risk management

The Company's activities are exposed 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 the adherence to limits through 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 Management of the Company under policies approved by the Supervisory Board. The Management identifies and evaluates financial risks in close cooperation with the Company's operating units. The Supervisory Board provides written policies and procedures for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk.

Concentration of risks of financial assets according to geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2013 and 2012 in Euro.

	Republic of Kosova	**EU**	**Total**
Assets			
Cash and cash equivalents	18,124	9,246	27,370
Securities held-to-maturity	184,672	152,577	337,249
Other receivables	23,555	-	23,555
As of 31 December 2013	**226,351**	**161,823**	**388,174**
As of 31 December 2012	**213,871**	**153,561**	**362,432**

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 are mainly based on a day-to-day monitoring.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	2013	**2012**
Cash at banks	27,012	4,701
Securities held-to-maturity	337,249	333,592
Other receivables	23,555	23,776
As of 31 December	**387,816**	**362,069**

Interest rate risk

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

The table below summarizes the Company's exposure to interest rate risks. The position of the Company in terms of the sensitivity to changes of interest rates at the moment of re-establishing of the interest rate as of 31 December 2013 and 2012 is presented in the table below. It includes the financial instruments of the Company at their present value, based on the remaining period at financial position date to the contractual maturity date (in Euro):

(amounts in Euro, unless otherwise stated)

Interest rate risk (continued)

31 December 2013	**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	27,370	-	-	-	-	-	27,370
Securities held-to-maturity	-	-	-	332,059	-	5,190	337,249
Other receivables	-	-	-	-	-	23,555	23,555
	27,370	**-**	**-**	**332,059**	**-**	28,745	**388,174**
Liabilities							
Trade and other liabilities	-	-	-	-	-	14,538	14,538
	-	**-**	**-**	**-**	**-**	**14,538**	**14,538**
Net interest rate risk gap	**27,370**	**-**	**-**	**332,059**	**-**	**14,207**	**373,636**
31 December 2012							
Total assets	**5,064**	**-**	**-**	**328,874**	**-**	28,494	**362,432**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**6,849**	**6,849**
Net interest rate risk gap	**5,064**	**-**	**-**	**328,874**	**-**	**21,645**	**355,583**

Currency risk

The Company is not exposed to foreign currency risk since all of its transactions are performed in Euro, its functional currency.

Liquidity risk

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

The tables below analyzes assets and liabilities of the Company, grouped according to their relevant maturity, based on the remaining period at financial position date to the contractual maturity date (in Euro).

31 December 2013	**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	27,370	-	-	-	-	27,370
Securities held-to-maturity	-	-	5,190	332,059	-	337,249
Other receivables	-	-	23,555	-	-	23,555
Total assets	**27,370**	**-**	**28,745**	**332,059**	**-**	**388,174**
Liabilities						
Trade and other liabilities	-	-	14,538	-	-	14,538
Total liabilities	**-**	**-**	**14,538**	**-**	**-**	**14,538**
Net liquidity gap	**27,370**	**-**	**14,207**	**332,059**	**-**	**373,636**
31 December 2012						
Total assets	**5,064**	**-**	**28,494**	**328,874**	**-**	**362,432**
Total liabilities	**-**	**-**	**6,849**	**-**	**-**	**6,849**
Net liquidity gap	**5,064**	**-**	**21,645**	**328,874**	**-**	**355,583**

Critical accounting estimates and judgments

The Company makes estimates and assumptions which affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Company using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Company would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may price positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value estimation

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

Financial instruments measured at fair value

The financial assets measured according to the fair value in the statement of financial position in accordance with the hierarchy of the fair value. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

- **Level 1**: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- **Level 2:** other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- **Level 3:** incoming data on the asset or liability that are not based on data available for market observing.

Financial instruments not measured at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented on the Statement of financial position at their fair value (in Euro).

	Notes	Loans and receivables	Held to maturity	Other amortised cost	Carrying value	Fair value
31 December 2013						
Assets						
Cash and cash equivalents	9	27,370	-	-	27,370	27,370
Securities held to maturity	10	-	337,249	-	337,249	343,404
Other receivables	13	23,555	-	-	23,555	23,555
		50,925	**337,249**	**-**	**388,174**	**394,329**
Liabilities						
Trade and other payable	14	-	-	14,538	14,538	14,538
		-	**-**	**14,538**	**14,538**	**14,538**
31 December 2012						
Assets						
Cash and cash equivalents	9	5,064	-	-	5,064	5,064
Securities held to maturity	10	-	333,592	-	333,592	332,689
Other receivables	13	23,776	-	-	23,776	23,776
		28,840	**333,592**	**-**	**362,432**	**361,529**
Liabilities						
Trade and other payable	14	-	-	6,849	6,849	6,849
		-	**-**	**6,849**	**6,849**	**6,849**

Loans and advances

Loans and receivables are carried at amortized cost, minus the provisions for impairment. Their fair value corresponds to their carrying value.

Securities held to maturity

The fair value of financial assets that are not traded in an active market is determined using assumptions based on market conditions existing at each financial position date

Other financial assets
The fair value of monetary assets that includes cash and cash equivalents is considered to approximate their respective carrying values by definition and due to their maturity of less than 3 months.

Other payables
Carrying value of other payable approximates their fair value due to their maturity of less than 3 months.

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.

3. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash in hand	358	363
Current account – Kasabank	709	688
Current account - Raiffeisen Bank, Kosovo	15,477	1,284
Current account - Central Bank, Kosovo (CBK)	164	188
Current account - Banka Ekonomike	21	27
Current account – TEB	1,394	1,345
Custody account – Poteza	9,247	1,169
	27,370	**5,064**

The custody account mainly is used for operation abroad such as purchase of new securities, receiving maturity of securities.

4. Investments held to maturity

	31 December 2013	31 December 2012
Debt securities	148,058	147,874
Placement in banks	184,000	181,000
Accrued interest	5,191	4,718
	337,249	**333,592**

Debt securities are further detailed as follows:

	31 December 2013	31 December 2012
Corporate bonds	112,254	108,743
Government bonds	40,323	39,131
	152,577	**147,874**

Placements with banks are further detailed as follows:

	31 December 2013	31 December 2012
Placement with banks TEB	113,422	131,000
Placement with banks NLB Kasabank	71,250	50,000
	184,672	**181,000**

5. Property and equipment

	Computer and other equipment	Total
Cost:		
As at January 1, 2012	**90,225**	**90,225**
Additions	524	524
As at December 31, 2012	**90,749**	**90,749**
Additions	-	-
As at December 31, 2013	**90,749**	**90,749**
Accumulated depreciation:		
As at January 1, 2011	**82,998**	**82,998**
Charge for the year	2,227	2,227
As at December 31, 2011	**85,225**	**85,225**
Charge for the year	1,856	1,856
As at December 31, 2012	**87,081**	**87,081**
Net book value:		
As at December 31, 2013	**3,668**	**3,668**
As at December 31, 2012	**5,524**	**5,524**

6. Intangibles

As of 31 December 2012 intangible assets additions consist of two additional modules of the Pension software. Movements of carrying values are as follows:

	Computer software	Total
Cost:		
As at January 1, 2012	**119,753**	**119,753**
Additions	9,000	9,000
As at December 31, 2012	**128,753**	**128,753**
Additions	-	-
As at December 31, 2013	**128,753**	**128,753**
Accumulated depreciation:		
As at January 1, 2012	**103,708**	**103,708**
Charge for the year	10,277	10,277
As at December 31, 2012	**113,985**	**113,985**
Charge for the year	4,568	4,568
As at December 31, 2013	**118,553**	**118,553**
Net book value:		
As at December 31, 2013	**10,200**	**10,200**
As at December 31, 2012	**14,768**	**14,768**

7. Other receivables

Other receivables in the statements of financial positions are as follows:

	2013	2012
Management fee receivable	10,301	9,489
Entrance and exit fee receivable	938	1,107
Prepayment	416	3,235
Prepaid tax	11,900	9,945
	23,555	**23,776**

Management fee is receivable from funds and compromise receivables from entrance fee, managing fee.Entrance fees are charged on each new participant in the fund at a rate of 3% of contribution paid.

Voluntary Pension Fund is entitled to 0.125% monthly commission asset management.

Prepaid tax represents tax on interest income from local banks, which is withheld at source. Since the company has accumulated losses, which it can carry forward for 7 years, the Company has the right to claim back this tax or deduct it from future taxable income.

8. Trade and other liabilities

	31 December 2013	31 December 2012
Suppliers	10,101	2,396
Liability toward fund	3,548	3,548
Pension contribution and personal income tax due	832	848
Other	57	57
	14,538	**6,849**

9. Share capital

Share capital

At 31 December 2013, according to the Shareholder's Book at the Statement of financial position, total share capital amounts to Euro 400,000 (31 December 2012: Euro 400,000).

Share capital structure of the Company as per Shareholder's Book as of 31 December 2013 and 2012 is as follows:

	2013	2012
Prva Group PLC, Slovenia	67.40%	67.40%
Dukagjini sh.p.k, Republic of Kosovo	32.60%	32.60%
	100.00%	**100.00%**

The General Assembly of Fondi Slloveno-Kosovar i Penisoneve on the meeting held on April 11, 2011 has decided to decrease the chartered capital by Euro 3,600,000. By this the General Assembly has decided to only exercise Supplementary Individuals Pension Fund License and to return the Asset Management License.

Accordingly the Executive Board of Central Bank of the Republic of Kosova on January 12, 2012 has taken a decision to withdraw the License for Asset Manager from Fondi Slloveno-Kosovar i Pensioneve, and to extend the license for Supplementary Individuals Pension Fund.

The Company is registered in the Kosovo Business Registration Agency of the Republic of Kosova under file no. 70378739 dated 04 September 2006. According to the registry file, which was last updated right after capital withdrawal of EUR 3,600,000 on July 14, 2011, total share capital of the Company amounts to Euro 400,000 out of which Prva Pokojninska Druzhba D.D paid in EUR 269,600 or 67.4% and Dukagjini sh.p.k paid in EUR 130,400 or 32.6% from total registered share capital.

(amounts in Euro, unless otherwise stated)

10. Interest income

	31 December 2013	31 December 2012
Interest income from deposits on banks	8,490	7,912
Interest income of securities	9,536	9,546
	18,026	**17,458**

11. Operating expenses

	31 December 2013	31 December 2012
Salaries and other personnel costs	46,979	53,974
Financial services, advisory and maintenance of	12,830	10,032
Administrative expenses	10,879	11,348
Depreciation and amortization (Note 13,14)	6,424	12,504
Rent expenses	4,800	6,574
Communication expenses	2,143	4,708
Rent expenses for vehicle	2,976	3,726
Fuel expenses	2,560	2,100
Bank charges	536	1,264
Taxes (interest, rent)	432	592
Marketing and advertising	65	75
Other expenses	5,373	4,323
	95,997	**111,220**

12. Income tax

The Income Tax Expenses in the statement of comprehensive income are analyzed as follows:

	31 December 2013	31 December 2012
Profit before tax	11,629	(6,154)
Tax at rate of 10% (2012: 10%)	1,163	
Adjusted for tax effects on:		
Non – allowable expenses for tax purposes		
Non – taxable income for tax purposes		
Other non - taxable items - withholding taxes paid	(11,899)	(9,945)
Tax losses carried forward	(24,125)	(24,125)
Income tax reimbursable	11,899	9,945
Income tax expense at 10%	**-**	**-**

The Company has not been subjected to any inspection by local tax authorities since its inception. The Company's management used its best estimate and judgment to comply with the tax laws. Owing to use of judgment in complying with certain requirements of tax laws and depending on the tax authorities assessment, tax liability as at December 31, 2013 may differ compared to the one reported in these financial statements.

13. Related party transactions

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

	2013	**2012**
Liabilities	3,538	3,538
Income	89,600	87,056
Receivables	11,240	10,596
Expenses	7,176	5,314
Purchase of software	-	9,000
Management personnel remunerations	20,812	21,570
	20,812	21,570

14. Contingencies

Litigations

At 31 December 2013 there have been no provisions for potential losses related to litigations. 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 precisely determined, the management of the Company believes that no material liabilities are likely to result.

Tax liabilities

Financial statements and the accounting records of the Company have not been audited by the tax authority for the year ended 31 December 2013. The company has followed all tax rules and regulations in calculating tax liabilities, however tax interpretations as per tax authorities may differ from those used by the Company.

Operating lease commitments

At 31 December 2013 there is rent agreement for business premises for undefined period of terms, monthly payment net is Euro 400.

15. Events after the reporting date

After 31 December 2013 - the reporting date until the approval of these financial reports, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.