

**MKO EKI / Ekonomska Kreditna Institucija  
Bosnia-Herzegovina**

**AUDITREPORT**  
  
of  
  
**FINANCIAL STATEMENTS**  
  
**Year 2002**

**Sarajevo, 16 April 2003**

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## Report of the Independent Auditors

Referring:

***MKO EKI / Ekonomska Kreditna Institucija***  
*Bosnia-Herzegovina*

### ***Introduction***

We have audited the financial statements of MKO Ekonomska Kreditna Institucija in Sarajevo, for the year 2002 (as set out on pages 6 to 29). These financial statements are the responsibility of EKI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### ***Scope***

We conducted our audit in accordance with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of MKO Ekonomska Kreditna Institucija as at 31 December 2002 and of the result for the year then ended as they are in accordance with International Accounting Standards.



INACO BA – The Netherlands

Harry Louwen, *Registered Auditor*

The Hague, 16 April 2003

## GENERAL INFORMATION

### **Agency operations**

MKO EKI- Ekonomska Kreditna Institucija in Sarajevo (hereafter “EKI” or the Agency) is registered on 18 June 2001 by the Federal Ministry of Social Policy, the Displaced and Refugees in Sarajevo, Federation of Bosnia and Herzegovina, under number 05-4-35-M,-31601/01 and is entered into the Register of Micro Credit Organisations in the Federation of BiH under the register No R,M-15/01 , the book I , dated 31 March 2001 with offices in Tuzla, Zenica, Bugojno, Mostar and Brcko District.

In the Republika Srpska branch offices of EKI are established in Doboj and Bijeljina. These offices are registered by the RS Ministry of Finance. The Branch offices do not have the status of a legal entity. By a decision of the Ministry of Finance of the Republika Srpska EKI got the permission of opening a branch office in Doboj and Bijeljina.

The Agency started its operations in 1996 running a micro credit programme as part of the humanitarian assistant programmes of World Vision International (WV BiH) in Bosnia Herzegovina. By a memorandum of understanding dated May 2001, WV BiH and the new MKO EKI formalised their new relationship with MKO EKI becoming an independent Micro Credit Organisation in Bosnia Herzegovina. With a contract made in May 2001 between WV BiH and EKI with a duration to 7 May 2006, the right to usage and management of movable property in the Federation under terms of the contract are agreed between EKI and WV BIH, later annexes on the contract were made for the Republika Srpska part.

By this loan agreement made in 2001 with duration of 5 years World Vision BiH agreed to lend EKI an amount of €3,374,775 (KM 6,600,486) under conditions as mentioned in the contract. The amounts are based on the WV/EKI micro credit project balance sheet for the Federation as per 31 March 2001. In later annexes made for the Republika Srpska, the loan amount was increased to KM 11,481,862 as per 31-12-2001( Annex seven).In the year 2002 further annexes were made resulting in a total loan amount of KM 11,604,236,97 (Annex ten). Finalised end December 2003, on January 7<sup>th</sup> a new Loan Agreement for another five years was concluded.

EKI will pay WV BiH for technical support an amount of US\$ 500 per month.

According the loan agreement EKI agrees to maintain the following goals:

- A Maintain a portfolio at risk consistently below 5%
- B Maintain a loss ratio of less than 3%
- C Rescheduled portfolio should not exceed 2% of the portfolio
- D 33% of the loans and or jobs created and sustained should be for women
- E Monthly operational self sufficiency should be above 120%

- F 10% of the loans should be for returnees, displaced persons and vulnerable persons
- G Disburse 2,000 loans worth 10,000,000 KM per year
- H Create or sustain 6,000 jobs per year

If one of the goals is not achieved but is within the following ranges parties agree to work together to resolve the problem:

- A Portfolio at risk greater than 5% and less than 10%
- B Loan loss ratio greater than 3% and less than 5%
- C Rescheduled portfolio greater than 2% and less than 3% of the portfolio
- D Greater than 20% and less than 33% of the loans should be for women
- E Monthly operational self sufficiency greater than 90% and less then 120%
- F Greater than 5% and less than 10% of the loans should be for returnees, displaced persons and vulnerable persons
- G Disburse more than 1,500 and less than 2,000 loans worth 10,000,000 KM per year
- H Create or sustain more than 3,000 and less than 6,000 jobs per year

If performance on one or more of the goals is worse than the aforementioned ranges, WV BiH will request that the loan be repaid.

### **Board of Directors**

The Board of Directors of EKI comprises of the following persons:

- |                     |                               |
|---------------------|-------------------------------|
| 1. Sead Mucic       | Chairman, Zenica, independent |
| 2. Stevo Sotonica   | Member, Sarajevo, independent |
| 3. Zlata Gafic      | Member, Sarajevo, independent |
| 4. Novak Radojcic   | Member, Dobojski, independent |
| 5. Kenan Tahmiscic  | Member, Sarajevo, independent |
| 6. Sue Birchmore    | Member, WV BiH representative |
| 7. Christopher Pitt | Member, WV BiH representative |

### **Management Board of EKI :**

The Management Board of EKI comprises of the following persons:

1. Sadina Bina	Director ; Tuzla
2. Tima Becirovic	Financial manager ; Sarajevo
3. Danko Nikolic	Operations manager ; Doboj
4. Kenan Crnkic	Operations manager ; Zenica
5. Igor Duspara	MIS manager ; Tuzla
6. Richard Reynolds	Technical adviser ; Sarajevo

**Number of authorised offices and registered addresses.**

The activities of the Agency in 2002 are distributed over 8 branches:

1. Tuzla,, Trg. Slobode bb
2. Doboj, Svetog Save 1
3. Sarajevo, Hasana Kikica 13
4. Zenica, Kucukovca 2
5. Mostar, Bul. Narodne Revolucije 27a
6. Bijeljina, Nusiceva 36
7. Bugojno, Kulina Bana 1
8. Brcko, Klosterska 31

The head office is located in Sarajevo, Hasana Kikica 13

**INCOME STATEMENT**

<i>(Amounts are in thousands of KM)</i>	Notes	<b>Year Ended 31-12-2002</b>	<b>Period from 1-05-2001 to 31-12-2001</b>	<b>Period from 1-10-2000 to 30-4-2001</b>
Interest and fees on loans	2	4,422	2,558	1,957
Interest expense	2	(165)	(47)	(45)
<b>Operating income</b>	2	<b>4,257</b>	<b>2,511</b>	<b>1,912</b>
Operating expenses	3	(2,757)	(1,570)	(1,283)
Bad and doubtful debts expense (net)	5	(212)	(79)	(128)
<b>Operating expenses</b>		<b>(2,969)</b>	<b>(1,649)</b>	<b>(1,411)</b>
<b>Other income</b>	6	<b>95</b>	<b>51</b>	<b>23</b>
<b>Net operational income</b>		<b>1,383</b>	<b>913</b>	<b>524</b>
Grant income	7	13	139	204
<b>Net Income</b>		<b>1,396</b>	<b>1,052</b>	<b>728</b>

Note: The accompanying notes are an integral part of these financial statements

**BALANCE SHEET**

<i>(amounts expressed in thousands KM)</i>		<b>Notes</b>		
		<b>31-12-2002</b>	<b>31-12-2001</b>	<b>30-4-2001</b>
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	9	991	491	578
Loans and advances to customers	10	21,596	14,088	12,845
Other current assets	11	968	174	65
<i>Non-current assets</i>				
Property and equipment	12	385	117	194
<b>Total assets</b>		<b>23,940</b>	<b>14,870</b>	<b>13,682</b>
<b>LIABILITIES</b>				
<i>Current liabilities</i>				
Short term debt	13	841	0	0
Other liabilities	13	440	98	215
<i>Non-current liabilities</i>				
Loan World Vision BiH	18	12,097	11,499	
Subsidised loans	15	7,072	1,558	1,686
<b>Total liabilities</b>		<b>20,450</b>	<b>13,155</b>	<b>1,901</b>
Donated capital	16	253	240	9.928
Retained earnings	17	2,437	675	1.853
Funding Capital	14	800	800	0
<b>Total equity</b>		<b>3,490</b>	<b>1,715</b>	<b>11,781</b>
<b>Total equity and liabilities</b>		<b>23,940</b>	<b>14,870</b>	<b>13,682</b>

Note: The accompanying notes are an integral part of these financial statements

**STATEMENT of CHANGES in EQUITY**

(amounts expressed in thousands  
KM)

	Notes	Donations	Retained earnings	Total Equity
<b>Balance at 30 September 2000 *</b>		<b>8,648</b>	<b>1,124</b>	<b>9,772</b>
Additions until 30-4-2001		1,280		1,280
Net result for the period 30-4-2001			729	729
<b>Balance at 30 April 2001</b>		<b>9,928</b>	<b>1,853</b>	<b>11,781</b>
Additions WV period May-Dec.01		350		350
Additions EKI period May-Dec.01		237		237
Net result Fed. Period May-Dec.01			675	675
Net result RS. Period May-Dec.01			378	378
Transferred to WV BiH		(10,275)	(2,231)	(12,506)
Funding Capital WV BiH	14	800		800
<b>Balance at 31 December 2001</b>		<b>1,040</b>	<b>675</b>	<b>1,715</b>
Additions EKI period Jan-Dec.02		13		13
Net Result EKI period Jan-Dec.02			1,384	1,384
Adjustment. RS. Period May-Dec.01			378	378
<b>Balance at 31 December 2002</b>		<b>1,053</b>	<b>2,437</b>	<b>2,490</b>

\* audited by PwC

**CASH FLOW STATEMENT***(amounts in KM)*

2002

**Cash Flow from operations (donations ex-**

Net Operating Profit /	1.383.694
Net operating profit / Loss prior years	377.625
Deprecia-	46.578
Loan Loss Provi-	211.767
Changes in other current liabili-	1.180.852
Internally generated	3.200.516
Changes in Gross portfolio out-	(7.642.772)
Write	(76.816)
<b>Total Cash Flow from opera-</b>	<b>(4.519.072)</b>

**Cash Flow from investing activi-**

Changes in invest-	-
Changes in fixed as-	314.592
Changes in other as-	793.375
<b>Total cash used in investing activities</b>	<b>1.107.967</b>

Cash balance before financ-	(5.627.039)
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**Cash Flow from financing activi-**

Commercial	
Changes in voluntary sav-	-
Changes in commercial	-

<b>Cash balance before subsidized funds and dona-</b>	<b>(5.627.039)</b>
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Subsidized	
Changes in subsidized	6.112.430
Changes in donated	12.964

<b>Net Cash</b>	<b>498.355</b>
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Beginning Cash bal-	490.408
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Ending Cash bal-	988.763
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*Note 1: The difference in the cash balance with the balance sheet is caused by the reclassification of the negative balance in a suspense account to other payables.*

*Note 2: The accompanying notes are an integral part of these financial statements*

**GENERAL NOTES TO THE FINANCIAL STATEMENTS****1. Summary of significant accounting policies**

The principal accounting policies adopted for the preparation of the Financial Statements of EKI and principal risks which have to be taken into account when assessing these accounting policies are set out below:

**(a) Risks**

Concentration of risks that may have a significant impact on the Company are as follows:

- Credit risk, the loan portfolio of EKI consists only of micro credit to small size enterprises and citizens;
- Dependency upon “World Vision International”, the main source of funding.

**(b) Basis of Presentation**

The reporting period is 1 January 2002 -31 December 2002 (comparing figures: 1 October 2000 – 30 April 2001 and 1 May 2001- 31 December 2001).

The form and content of the Financial Statements reflects the reporting requirements applicable under International Accounting Standards and CGAP guidelines.

**(c) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into convertible marks (KM) at the rate of exchange established by the Central Bank of Bosnia Herzegovina at the balance sheet date. Foreign currency assets and liabilities are principally held in Euro's (in 2001: German marks).

Results denominated in foreign currencies are translated at the rates prevailing at the transaction date.

**(d) Interest and Fees Income and Expense**

Interest and fees income and expense are recognised in the income statement on an accruals basis.

**(e) Loans**

Loans are stated in the Financial Statements at the amount of outstanding principal less any provision for bad and doubtful debts. Long-term loans are defined as those falling due after more than one year.

Loans are considered in arrears and are placed on non accrual status when collection of all or a portion of principal or interest, in accordance with contractual terms, is in doubt. Interest on non accrual loans is recognised as income on a cash basis.

**(f) Provision for Doubtful Loans**

Provision for bad and doubtful loans is made, taking into regard both specific and general risks, and in accordance with internationally recommended guidelines (CGAP).

The specific element of the provisions relates to loans that have been individually reviewed and where it is expected that loss will occur. The general element of the loan provision reflects the uncertainties inherent in the environment in which EKI operates, and relates to those existing losses that, although not yet specifically identified, are known from experience to be present in the Agency's portfolio of loans at any Financial Statements date.

In determining the overall level of the provisions required, management considers numerous factors including, but not limited to, the financial condition of the borrower, existence and quality of collateral, domestic economic conditions, the composition of the loan portfolio and prior bad debt experience and repayments after year-end.

The following percentages are applied to the outstanding balances in order to determine the loan loss provision:

	<u>Allowance (in %)</u>
Current loans	2%
1-30 days overdue	10%
31-60 days overdue	25%
61-90 days overdue	50%
91-120 days overdue	75%
Over 120 days overdue	100%

**(g) Computer development costs**

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred.

**(h) Fixed Assets**

Property and equipment is stated in principal at historical cost less depreciation. Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

	<u>Per annum</u>	<u>Per annum</u>
	<u>From 1-5-2001</u>	<u>Until 30-4-2001</u>
Technical equipment	7 % and 33%	33 %
Vehicles	15.5 % and 33%	33 %
Computer and office equipment	20 % and 33%	33 %

The depreciation rates in the new EKI organisation are brought in line with local standards in Bosnia Herzegovina.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise balances such as cash and amounts due from banks.

**(j) Commitments**

Provisions are recognised when EKI has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

**SPECIFIC NOTES TO THE INCOME STATEMENT****2. Net operating income***(amounts expressed in thousands of KM)*

	<b>Year ending</b>	<b>Period ending</b>	<b>Period ending</b>
	<b>31-12-2002</b>	<b>31-12-2001</b>	<b>30-4-2001</b>
<b>Interest and fees on loans</b>			
Interest on loans	3,804	2,238	1,684
Fees on loans	608	297	265
Penalty interest	10	11	8
Interest on investment	0	12	
<b>Total</b>	<b>4,422</b>	<b>2,558</b>	<b>1,957</b>
<b>Interest expense</b>			
Cost of capital	(165)	(47)	(45)
<b>Total</b>	<b>4,257</b>	<b>2,511</b>	<b>1,912</b>

*Note: Substantially all income arises within BiH (both entities).*

**3. Operating expenses***(amounts expressed in thousands of KM)*

	<b>Year ending</b>	<b>Period ending</b>	<b>Period ending</b>
	<b>31-12-2002</b>	<b>31-12-2001</b>	<b>30-4-2001</b>
Staff costs ( <i>see note 4 below</i> )	1,931	923	516
Administrative expenses	94	90	145
Travel	98	73	71
Depreciation	46	29	75
Occupancy expenses	236	151	120
Communication	146	67	40
Bank charges costs	27	15	
Fees to World Vision	13	9	99
Professional services	8	77	108
Other expenses	158	133	22
Bank loss	0	3	87
<b>Total</b>	<b>2,757</b>	<b>1,570</b>	<b>1,283</b>

**4. Staff costs**

(amounts expressed in thousands of KM)

	<b>Year ending 31-12-2002</b>	<b>Period ending 31-12-2001</b>	<b>Period ending 30-4-2001</b>
Gross salaries local staff	1,731	837	515
Temporary workers	34	17	1
Other	166	69	
<b>Total</b>	<b>1,931</b>	<b>923</b>	<b>516</b>

Note: The average number of persons employed by the Agency during the year was 89 (in 2001: 53)

### 5. Bad and doubtful debts expenses

(amounts expressed in thousands of KM)

	<b>Year ending 31-12-2002</b>	<b>Period ending 31-12-2001</b>	<b>Period ending 30-4-2001</b>
Written-off amounts (bankrupted banks)	0	0	87
Loans to customers	212	79	128
<b>Total</b>	<b>212</b>	<b>79</b>	<b>215</b>

### 6. Other income

(amounts are in thousands of KM)

	<b>Year ending 31-12-2002</b>	<b>Period end- ing 31-12-2001</b>	<b>Period end- ing 30-4-2001</b>
Recovery written-off loans	73	51	23
Other	22		
<b>Total</b>	<b>95</b>	<b>51</b>	<b>23</b>

### 7. Grant income

(amounts are in thousands of KM)

	<b>Year 2002</b>	<b>Period 31-12-2001</b>	<b>Period 30-4-2001</b>
Grants for operating services	13	139	204
<b>Total</b>	<b>13</b>	<b>139</b>	<b>204</b>

<b>Year</b>	<b>Period</b>	<b>Period</b>
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<b>Income by donor</b>	<b>2002</b>	<b>31-12-2001</b>	<b>30-4-2001</b>
Know how fund	0	25	102
USDA	0	75	102
UNDP (Brcko)	0	37	0
Other donors	13	2	0
<b>Total</b>	<b>13</b>	<b>139</b>	<b>204</b>

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The Donors have paid management fees to the Agency for certain expenses incurred or to be incurred in the operation of the Agency. These expenses include staff salaries and benefits, travel expenses, rental costs, utilities, telephone costs, vehicle maintenance and stationery.

### **8. Taxation**

EKI is tax exempted, because according to the law of the Federation of Bosnia and Herzegovina EKI is regarded as a non-profit organisation.

**SPECIFIC NOTES TO BALANCE SHEET****9. Cash and cash equivalents***(amounts expressed in thousands of KM)*

	<b>31-12-2002</b>	<b>31-12-2001</b>	<b>30-04-2001</b>
Cash at hand	4	7	16
Raiffeisen (ex Market) Bank	724	199	211
Tuzlanska Bank	19	83	51
Commerce (ex Sahinpasic) Bank	33	79	46
Razvojna Bank	24	31	0
UPI Bank	151	30	74
Nova Bank	4	26	0
Central Profit Bank	10	27	0
Volksbank	0	7	0
Zagrebacka Banka Mostar	22	0	0
Kristal Bank	0	0	177
Tuzlanska Komercijalna Bank	0	0	2
Hercegovačka Bank	0	0	1
Sundry	0	2	0
<b>Total</b>	<b>991</b>	<b>491</b>	<b>578</b>

**10. Loans and advances to customers****(a) Analysis by interest rates**

The monthly interest rates on loans are fixed and vary as follows:

*(amounts expressed in thousands of KM)*

	<b>31-12-2002</b>	<b>31-12-2001</b>
<b>Fee per month (flat rate):</b>		
1% (flat)	6206	3268
1% (declining)	2454	0
1.08 %	19	0
1.1 %	5010	4,663
1.2 %	3823	3,746
1.3 %	3815	2,592
1.4 %	742	156
1.5 %	0	1
<b>Total</b>	<b>22,069</b>	<b>14,426</b>
Provision ( <i>see note 10e</i> )	(473)	(338)
<b>Total</b>	<b>21,596</b>	<b>14,088</b>

**(b) Analysis by type of borrower**

Economic sector risk concentrations within the customer loan portfolio were as follows:

*(amounts expressed in thousands of KM)*

	<b>31-12-2002</b>	<b>31-12-2001</b>
Individual agricultural companies	10,807	4,511
Individual production companies	1,915	1,951
Individual trade companies	5,624	4,819
Individual service companies	3,723	3,145
<b>Total</b>	<b>22,069</b>	<b>14,426</b>
Provision <i>(see note 10e)</i>	(473)	(338)
<b>Total</b>	<b>21,596</b>	<b>14,088</b>

*Note: Loans are generally due within 1 year.*

**(c) Geographical analysis**

As of 31 December 2001 all loans were granted to citizens or companies incorporated in Bosnia and Herzegovina.

*(amounts expressed in thousands of KM)*

	<b>31-12-2002</b>	<b>31-12-2001</b>
Zenica	3,301	2,673
Tuzla	5,555	4,097
Sarajevo	1,539	1,026
Mostar	1,665	1,158
Doboj	5,169	3,411
Bijeljina	2,083	1,009
Bugojno	1,175	736
Brcko	1,582	316
<b>Total</b>	<b>22,069</b>	<b>14,426</b>
Provision <i>(see note 10e)</i>	(473)	(338)
<b>Total</b>	<b>21,596</b>	<b>14,088</b>

**(d) Arrears**

The amounts of loans in arrears are analysed as follows:

(amounts expressed in thousands of KM)

	31-12-2001	31-12-2001
<b>Current Loans</b>	<b>21,887</b>	<b>14,129</b>
<b>Principal in Arrears</b>		
Up to 30 days past due	129	213
31 - 60 days past due	26	47
61 - 90 days past due	19	24
91 - 120 days past due	8	12
Over 120 days pastdue	0	1
<b>Total</b>	<b>22,069</b>	<b>14,426</b>

Note: Arrears include all amounts of loan principal due but not collected.

### (e) Provisions

The movements in provisions for losses are as follows:

(amounts are in thousands of KM)	Year ended 31-12-2002	Period ended 31-12-2001	Period ended 30-4-2001
Opening Balance	338	387	337
Doubtful debts expense (see note 5)	212	79	128
Bad debts written-off	(77)	(128)	(78)
<b>Closing Balance</b>	<b>473</b>	<b>338</b>	<b>387</b>

### 11. Other current assets

(amounts expressed in thousands of KM)

	31-12-2002	31-12-2001
Loan Portfolio Housing on behalf of WV	783	0
Interest receivable	6	12
Receivable from WV BiH	144	135
Prepaid expenses	25	21
Other receivables	10	6
<b>Total</b>	<b>968</b>	<b>174</b>

### 12. Property and equipment

<i>(amounts expressed in thousands of KM)</i>	<b>Furniture &amp; equipment</b>	<b>Vehicles</b>	<b>Computer equipment</b>	<b>Total</b>
<b><u>As at 30-9-2000</u></b>				
Cost	45	462	97	604
Accum. depreciation	(27)	(296)	(65)	(388)
Net book value	18	166	32	216
Additions	4	16	33	53
Depreciation	(5)	(55)	(15)	(75)
<b><u>As at 30-4-2001</u></b>				
Cost	49	478	130	657
Accum. depreciation	(32)	(351)	(80)	(463)
Net book value	17	127	50	194
<b><u>Transfers in Federation:</u></b>				
Disposals at cost	(32)	(402)	(99)	(533)
Depreciation disposal	23	297	64	384
Transfer to WV BiH Net Book Value	(9)	(105)	(35)	(149)
<b><u>As at 1-5-2001</u></b>				
Cost	17	76	31	124
Accum. Depreciation	(9)	(54)	(16)	(79)
Net book value	8	22	15	45
Additions	15	81	63	159
Depreciation	(3)	(17)	(9)	(29)
<b><u>As at 31-12-2001</u></b>				
Cost	32	157	94	283
Accum. depreciation	(12)	(71)	(25)	(108)
Net book value	20	86	69	175
<b><u>Transfers in RS :</u></b>				
Disposals at cost	(18)	(103)	(39)	(160)
Depreciation disposal	11	69	22	102
Transfer to WV BiH Net Book Value	(7)	(34)	(17)	(58)
Cost	14	54	55	123
Accum. depreciation	(1)	(2)	(3)	(6)
Net book value	13	52	52	117

<i>(amounts expressed in thousands of KM)</i>	<b>Furniture &amp; equipment</b>	<b>Vehicles</b>	<b>Computer equipment</b>	<b>Total</b>
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**As at 31-12-2001**

Cost	14	54	55	123
Accum. depreciation	-1	-2	-3	-6
Net book value	13	52	52	117

Additions 2002 at cost	47	258	85	390
Adjustments at cost	-20	-38	-18	-76

**As at 31-12-2002**

At Cost	41	274	122	438
Depreciation 2002	-4	-25	-18	-47
Accum. depreciation	-5	-27	-21	-53
<b>Net book value</b>	<b>36</b>	<b>247</b>	<b>101</b>	<b>385</b>

**13. Other liabilities**

(amounts expressed in thousands of KM)

	31-12-2002	31-12-2001
WVI Housing	841	0
Interest payable on subsidised loans	20	25
Interest Housing	4	
Deferred revenues	16	0
Owed to WV BiH	7	69
WVI acc Tuzla, housing	288	
WVI Grant RS	100	
Accrued expenses and other liabilities	5	5
<b>Total</b>	<b>440</b>	<b>99</b>

**14. Funding Capital**

WV BiH agreed with EKI to donate the funding capital amounting to DEM 800,000.

(amounts expressed in thousands of KM)

	31-12-2002	31-12-2001	30-4-2001
Funding capital supplied by WV BiH	800	800	0
<b>Total</b>	<b>800</b>	<b>800</b>	<b>0</b>

**15. Subsidised loans****a) Analysis by type of subsidised loan**

(amounts expressed in thousands of KM)

		31-12-2002	31-12-2001
	Interest % per year		
WV –Canada Global EF	5	217	467
COSPE- Italy	0	260	320
WV Meero- Austria *)	5	0	(3)
LID Fed BiH	5	978	0
LID –RS	5	750	750
USAID Loan	3	833	0
UNDP	3	1,586	0
KfW- EU Loan	3	2,445	0
SIDA –Blind association	0	3	24
<b>Total</b>		<b>7,072</b>	<b>1,558</b>

\*) exchange difference

#### b) Analysis of subsidised loans by duration

( amounts expressed in thousands of KM)

	31-12-2002	31-12-2001
up to 6 months	480	85
6 to 12 months	0	1,246
Over 12 months	5,006	230
No specified maturity	1,586	(3)*
<b>Total</b>	<b>7,072</b>	<b>1,558</b>

\*) exchange difference

#### 16. Donated Capital

(amounts expressed in thousands of KM)

	Loan Capital	Donated Fixed Assets	Total
Balance 30-9-2000 (“PwC-audited”)	8,198	450	8,648
Additions 1-10-2000 until 30-4-2001	1,278	2	1,280
Balance 30-4-2001	9,476	452	9,928
Transferred Fed part to WV BiH	(6,699)	(374)	(7,073)
Balance 1-5-2001	2,777	78	2,855
Transferred RS part to WV BiH	(2,777)	(78)	(2,855)
Additions 1-5-2001 until 31-12-2001	347	3	350
Transferred to WV BiH	(347)	0	(347)
Addition EKI/ SIDA-Cow How	237	0	237
<b>Balance 31-12-2001</b>	<b>237</b>	<b>3</b>	<b>240</b>

<i>(amounts expressed in thousands of KM)</i>	<b>Loan Capital</b>	<b>Donated Fixed Assets</b>	<b>Total</b>
Additions 2002	13		13
<b>Balance 31-12-2002</b>	<b>250</b>	<b>3</b>	<b>253</b>

## 17. Retained Earnings

### Movement schedule

*(amounts expressed in thousands of KM)*

<b>Balance as at 1-10-2000 (PwC-audited)</b>	1,124
Net result for the period until 30-4-2001	729
Balance 30-4-2001	<u>1,853</u>
Transferred to WV BiH on 30 April 2001	(1,180)
Balance as 1-5-2001	<u>673</u>
Net result for the period 1-5-2001 / 31-12-2001 Fed	675
Net result for the period 1-5-2001 / 31-12-2001 RS	378
Transferred to WV BiH on 31 December	(1,051)
<b>Balance as at 31-12-2001</b>	<b><u>675</u></b>
Net Result RS May-Dec 2001 transferred to EKI	378
Net result EKI for the year 2002	1,384
<b>Balance as at 31-12-2002</b>	<b><u>2,437</u></b>

## 18. Related party transactions

WV BiH supplied EKI with the funding capital of 800,000 KM. WV BiH further lent to EKI the donated capital contracted by WV BiH with the donors (see note 16), Fixed Assets that were donated to or purchased by WV BiH were made available to EKI by a fixed assets' contract.

<i>(amounts expressed in thousands of KM)</i>	Reference Note	Amount
<b>Funding Capital</b>	14	<b>800</b>

WV BiH provides EKI with technical assistance for an agreed amount of US \$ 500 per month, starting May 2001. Expenditures made by WV BiH relating to EKI are charged to EKI.

### Financed by WV BiH loan agreement

<i>(amounts expressed in KM)</i>	<b>31-12-2002</b>	<b>31-12-2001</b>
Loan capital supplied by WV BiH to EKI annex 1	6,600,486	6,600,486
Loan capital supplied by WV BiH to EKI annex 2	300,000	300,000
Loan capital supplied by WV BiH to EKI annex 3	20,000	20,000
Loan capital supplied by WV BiH to EKI annex 4	600,000	600,000
Loan capital supplied by WV BiH to EKI annex 5	137,041	137,041
Loan capital supplied by WV BiH to EKI annex 6	-23,500	-23,500
Loan capital supplied by WV BiH to EKI annex 7	2,777,103	2,777,103
Loan capital supplied by WV BiH to EKI annex 8	183,500	0
Loan capital supplied by WV BiH to EKI annex 9	300,000	0
Loan capital supplied by WV BiH to EKI annex 10	-377,625	0
USDA Grant FY 99	492,670	0
Retained Earnings	1,050,619	1,050,619
Difference fixed assets donation-net book value	20,113	20,113
SIDA LFC	16,500	16,500
Adjustment to WV Agreement	200	0
<b>Total</b>	<b>12,097,107</b>	<b>11,498,362</b>

### **19. Directors' remuneration**

A listing of the members of the Management Board is shown on page 5 of this report. In the year 2002 the total remuneration of the Management Board amounts to KM 294,584 (period 1-10-2000 to 31-12-2001 KM 333,000).

The Board of Directors as shown on page 4 of the Financial Statements.

In the year 2002 the total remuneration of the Board of Directors amounts to KM 4,867 (period 1-05-2001 to 31-12-2001 KM 910).

**20. Maturity analysis**

The amount of total assets and total liabilities analysed over the remaining period to the contractual maturity date at 31 December 2002 is as follows:

<i>(amounts expressed in thousands of KM)</i>	<b>De- (including arrears)</b>	<b>Up to 6 month</b>	<b>From months to 1</b>	<b>Over 1</b>	<b>No specified matur-</b>	<b>To- 31-12-02</b>
<b>As-</b>						
Cash and equiva-	991	-	-	-	-	991
Loans and ad- to customers	1.740	9.455	6.799	3.602	-	21.596
Other current assets	32	-	936	-	-	968
Tangible fixed as-	-	-	-	385	-	385
<b>Total As-</b>	<b>2.763</b>	<b>9.455</b>	<b>7.735</b>	<b>3.987</b>	<b>-</b>	<b>23.940</b>
<b>Liabili-</b>						
Other liabili-	16	419	846	-	-	1.281
Subsidised		480	-	17.103	1.586	19.169
<b>Total Liabili-</b>	<b>16</b>	<b>899</b>	<b>846</b>	<b>17.103</b>	<b>1.586</b>	<b>20.450</b>
<b>Total Assets - Total Liabili-</b>	<b>2.747</b>	<b>8.556</b>	<b>6.889</b>	<b>- 13.116</b>	<b>- 1.586</b>	<b>3.490</b>

## 21. Contingencies and commitments

The Agency has rental commitments for buildings with the following maturities:

<i>(all amounts expressed in thousands of KM)</i>	< 1 year	Unlimited period	Total 31-12-02	Total 31-12-01
Office Tuzla	3	-	3	3
Office Doboj	3	1	4	3
Office Sarajevo	1	1	2	1
Head Office Sarajevo	1	3	4	4
Office Zenica	-	2	2	3
Office Mostar	1	1	2	1
Office Bijeljina	1	1	2	2
Office Bugojno	-	1	1	1
Office Brcko	-	1	1	1
<b>Total</b>	<b>10</b>	<b>11</b>	<b>21</b>	<b>19</b>

## 22. Financial instruments

In the normal course of business, the Agency provides from its customers a variety of financial instruments. These financial instruments involve various degrees of risk as follows:

- Credit risk

In conducting business activities, the Agency is exposed to the possibility that borrowers may default on their obligations to the Agency. To minimise this risk the Agency evaluates each customers' credit worthiness on a case by case basis. The amount of collateral obtained, if it is deemed necessary by the Agency upon the extension of credit, is based on management's credit evaluation of the client. Collateral held varies but may include guarantees, inventory and acceptance letters. The Agency strives to maintain a credit risk profile that is diverse in terms of industry and borrower concentration.

- Market risk

In the normal course of business, the Agency is exposed to market risks which include both price and liquidity risks. Price risk arises from fluctuation in interest rates, liquidity risks arise from the possibility that the Agency may be unable to satisfy current and future financial commitments.

**23. Post Balance Sheet events**

The renewal of the financing agreement with World Vision BiH for the following 5 years is signed on January 7<sup>th</sup> 2003.

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