



**Auditing &  
Accounting**

REPRESENTATIVE OFFICE  
in  
Bosnia-Herzegovina

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

**AUDITREPORT**

**of**

**ANNUAL ACCOUNTS**

**Year 2003**

**Sarajevo, 30 April 2004**

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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 2003 (as set out on pages 7 to 24). 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 2003 and of the result for the year then ended and they are in accordance with International Accounting Standards/ International Financial Reporting Standards.

Concerning the prerequisites as mentioned in the agreements with the loan-suppliers World Vision, LID, UNDP and SIDA we state hereby that EKI complied with them in all material respects.



HALACON – The Netherlands

Harry Louwen, *Registered Auditor*  
Lunteren, 30 April 2004

## GENERAL INFORMATION

### Micro Credit Operations

MKO EKI- Ekonomska Kreditna Institucija in Sarajevo (hereafter "EKI") 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.

EKI started its operations in 1996 running a micro credit program as part of the humanitarian assistant program 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 local Micro Credit Organisation in Bosnia-Herzegovina.

With a contract made in May 2001 between WV BiH and EKI with 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 2002, on January 7<sup>th</sup>, 2003 a new Loan Agreement for another five years was concluded.

According the latest loan agreement with WV, 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 and displaced and vulnerable persons
- G Disburse 7,000 loans worth 20,000,000 KM per year
- H Create or sustain 8,000 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 and displaced and vulnerable persons
- G Disburse more than 5,000 and less than 7,000 loans worth 20,000,000 KM per year
- H Create or sustain more than 6,000 and less than 8,000 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. EKI paid WV BiH for technical support over 2003 an amount of KM 2,530.

### **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 Radojic  | Member, Dobojski, independent |

Kenan Tahmiscic	Member, Sarajevo, independent. (stopped Sept.2003)
5. Sue Birchmore	Member, WV BiH representative
Christopher Pitt	Member, WV representative. (stopped Sept. 2003)
6. Richard Reynolds	Member, WV representative. (started Sept. 2003)

**Management Board of EKI :**

The Management Board of EKI comprises of the following persons at 31-12-2003:

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

<sup>\*)</sup> *Kenan Crnkic stopped at 01-03-2004.*

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

The activities of EKI in 2003 are distributed over 8 branches:

1. Tuzla, Trg. Slobode bb
2. Doboj, Svetog Save 1
3. Sarajevo, Hasana Kikica 13 (*Zvornicka 9 as of 01-02-2004*)
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 (*Zvornicka 9, as of 01-02-2004*).

**INCOME STATEMENT**

<i>(Amounts are in thousands of KM)</i>	<b>Notes</b>	<b>Year ended 31-12-2003</b>	<b>Year ended 31-12-2002</b>
Interest and fees on loans	2	5,990	4,422
Interest expense	2	(313)	(165)
<b>Operating income</b>	2	<b>5,677</b>	<b>4,257</b>
Operating expenses	3	(3,704)	(2,757)
Bad and doubtful debts expense (net)	5	(246)	(212)
<b>Operating costs</b>		<b>(3,950)</b>	<b>(2,969)</b>
<b>Other income</b>	6	<b>149</b>	<b>95</b>
<b>Net operational income</b>		<b>1,876</b>	<b>1,383</b>
Grant income	7	1,635	13
<b>Net Income</b>		<b>3,511</b>	<b>1,396</b>

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

**BALANCE SHEET***(amounts expressed in thousands KM)*

	Notes	31-12-2003	31-12-2002
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and Bank	9	1,122	991
Deposit for assurance Raiffeisen loan	9	605	0
Loans and advances to customers	10	29,156	21,596
Other current assets	11	1,651	968
<i>Non-current assets</i>			
Property and equipment	12	606	385
<b>Total assets</b>		<b>33,141</b>	<b>23,940</b>
<b>LIABILITIES &amp; EQUITY</b>			
<i>Current liabilities</i>			
Short term debt	19	1,928	841
Other short term liabilities	13	540	440
Long term debt (bank loans)	19	420	0
Loan World Vision BiH	18	12,955	12,097
Subsidised loans	15	10,299	7,072
<b>Total liabilities</b>		<b>26,142</b>	<b>20,450</b>
Donated capital	16	1,868	253
Retained earnings	17	4,329	2,437
Funding Capital	14	800	800
<b>Total equity</b>		<b>6,997</b>	<b>3,490</b>
<b>Total equity and liabilities</b>		<b>33,141</b>	<b>23,940</b>

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



**STATEMENT of CHANGES in EQUITY**

<i>(Amounts expressed in thousands KM)</i>	Notes	Donations	Retained earnings	Total
<b>Balance at 30 September 2000 *</b>		<b>8.648</b>	<b>1.124</b>	<b>9.772</b>
<i>* audited by PwC</i>				
Additions until 30-4-2001		1,280		1280
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>3,490</b>
UNDP and CRIC donated capital		1,631	0	1,631
Adjustment over 2002		-12	12	0
Adjustment stolen equipment		-3	0	-3
Retained earnings 2003		0	1,880	3,511
<b>Balance at 31 December 2003</b>		<b>2,669</b>	<b>4,329</b>	<b>6,998</b>

**Summary Equity** ( amounts in KM)

Funding Capital WV BiH	800,000
Loan Fund Cap. SIDA -Cow How	237,389
Donations by UNDP and CRIC	1,631,206
Result 2001	1,052,492
Result 2002	1,396,658
Result 2003	1,880,069
<b>Total</b>	<b>6,997,815</b>

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

**CASH FLOW STATEMENT**

<i>(all amounts expressed in thousands of KM)</i>	<u>Year ended</u> <u>31-12-2003</u>	<u>Year ended</u> <u>31-12-2002</u>
<b><u>Cash Flow from operations (donations excluded)</u></b>		
Net Operating Profit / Loss	1.876	1.384
Net Operating Profit / Loss prior Years (RS)	-	378
Depreciation	92	47
Loan Loss Provision	246	212
Changes in other current liabilities	99	1.181
Internally generated Cash	2.313	3.201
Changes in Gross portfolio outstanding	(7.734)	(7.643)
Write offs	(71)	(77)
<b>Total Cash Flow from operations</b>	<b>(5.492)</b>	<b>(4.518)</b>
<b><u>Cash Flow from investing activities</u></b>		
Changes in investments	605	-
Changes in fixed assets	313	315
Changes in other assets	685	792
<b>Total cash used in investing activities</b>	<b>1.602</b>	<b>1.106</b>
<i>Cash balance before financing</i>	<i>(7.096)</i>	<i>(5.625)</i>
<b><u>Cash Flow from financing activities</u></b>		
<u>Commercial sources:</u>		
Changes in voluntary savings	-	-
Changes in commercial loans	1.456	-
<i>Cash balance before subsidized funds and donations</i>	<i>(5.640)</i>	<i>(5.625)</i>
<u>Subsidized sources:</u>		
Changes in subsidized loans	4.136	6.112
Changes in donated funds	1.635	13
<b><u>Net Cash Flow</u></b>	<b>131</b>	<b>501</b>
Beginning Cash balance	991	490
Ending Cash balance	1.122	991

## **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**

Concentrations 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 2003 -31 December 2003. Comparing figures are the period 1 January 2002 – 31 December 2002.

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 Euros.

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 EKI'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>
<u>Current loans</u>	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>Since 1-5-2001</u>	<u>Before 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***(all amounts expressed in thousands of KM)*

	<b>Year ending 31-12-2003</b>	<b>Year ending 31-12-2002</b>
<b>Interest and fees on loans</b>		
Interest on loans	5,249	3,804
Fees on loans	731	608
Penalty interest	10	10
Interest on investment	0	0

<b>Total</b>	<b>5,990</b>	<b>4,422</b>
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**Interest expense**

Cost of capital	(313)	(165)
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<b>Total</b>	<b>5,677</b>	<b>4,257</b>
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*Note: Substantially all income arises within BiH (both entities).***3. Operating expenses***(amounts expressed in thousands of KM)*

	<b>Year ending 31-12-2003</b>	<b>Year ending 31-12-2002</b>
Staff costs <i>(See for details note 4)</i>	2.565	1.931
Administrative expenses	95	94
Travel	161	98
Depreciation	92	46
Occupancy expenses	275	236
Communication	208	146
Bank charges costs	42	27
Fees to World Vision	11	13
Professional services	43	8
Other expenses	212	158
Bank loss	0	0
<b>Total</b>	<b>3.704</b>	<b>2.757</b>

**4. Staff costs***(all amounts expressed in thousands of KM)*

	<b>Year ending 31-12-2003</b>	<b>Year ending 31-12-2002</b>
Gross salaries local staff	2,323	1,731
Temporary workers	29	34
Other	213	166
<b>Total</b>	<b>2,565</b>	<b>1,931</b>

*Note: The average number of employees in 2003 was 103 (in 2002: 89)*

**5. Bad and doubtful debts expenses***(amounts expressed in thousands of KM)*

	Year ending 31-12-2003	Year ending 31-12-2002
Written-off amounts (bankrupted banks)	0	0
Loans to customers	246	212
<b>Total</b>	<b>246</b>	<b>212</b>

**6. Other income***(all amounts are in thousands of KM)*

	Year ending 31-12-2003	Year ending 31-12-2002
Recovery written off loans	83	73
Other	66	22
<b>Total</b>	<b>149</b>	<b>95</b>

**7. Grant income***(all amounts are in thousands of KM)*

	Year 2003	Year 2002
Grants for operating services	0	13
Donated Software	4	0
UNDP capitalized Grant (principal + interest)	1,600	0
CRIC donation of receivables	31	0
<b>Total</b>	<b>1,635</b>	<b>13</b>

**Grant Income by Donor***(all amounts are in thousands of KM)*

	Year 2003	Year 2002
Know how fund	0	0
USDA	0	0
UNDP (Brcko)	1,600	0
CRIC	31	0
Other donors *)	4	13
<b>Total</b>	<b>1,635</b>	<b>13</b>

\*) Note: These Donors have paid management fees to EKI for certain expenses incurred or to be incurred in the operation of EKI. 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-Herzegovina EKI is regarded as a non-profit organisation.

**SPECIFIC NOTES TO BALANCE SHEET****9. Cash and cash equivalents***(all amounts are in KM)*

	Year ending 31-12-2003	Year ending 31-12-2002
<b>Total Cash</b>	<b>1,490</b>	<b>4,030</b>
Raiffeisen Bank	781,370	724,149
Tuzlanska Bank	4,761	19,101
Commerce (ex Sahinpasic) Bank	45,275	32,998
Razvojna Bank	2,002	24,462
UPI Bank	145,657	150,799
Nova Bank	155	3,519
Central Profit Bank	12,696	9,772
Volksbank	460	73
Zagrebacka Banka	57,021	22,268
Hypo Alpe Adria	24,193	-
ABS Banka	44,816	-
Cash Deposit Raiffeisen Bank	605,427	-
<b>Total Banks</b>	<b>1,726,360</b>	<b>987,141</b>
<b>Total Cash and Banks</b>	<b>1,727,850</b>	<b>991,171</b>

**10. Loans and advances to customers****(a) Analysis by interest rates***(amounts in thousands of KM)*

	31-12-2003	31-12-2002
<b>Fee per month (flat rate):</b>		
1% (flat)	6.761	6.206
1% (declining)	4.540	2.454
1.08 %	21	19
1.1 %	11.252	5.010
1.2 %	3.860	3.823
1.3 %	2.477	3.815
1.4 %	794	742
1.5 %	98	-
1.7%		-
<b>Total</b>	<b>29.803</b>	<b>22.069</b>
Provision	- 648	- 473
<b>Total</b>	<b>29.155</b>	<b>21.596</b>



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

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

(all amounts in thousands of KM)

	<b>31-12-2003</b>	<b>31-12-2002</b>
Individual agricultural companies	17,220	10,807
Individual production companies	1,783	1,915
Individual commerce /trade companies	6,412	5,624
Individual service companies	4,388	3,723
<b>Total</b>	<b>29.803</b>	<b>22.069</b>
Provision (note 10e)	- 648	- 473
<b>Total</b>	<b>29.155</b>	<b>21.596</b>

Note: Loans are generally due within 1 year.

**(c) Geographical analysis**

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

(amounts in thousands of KM)

	<b>31-12-2003</b>	<b>31-12-2002</b>
Zenica	4.176	3,301
Tuzla	7.397	5,555
Sarajevo	2.143	1,539
Mostar	2.179	1,665
Doboj	6.461	5,169
Bijeljina	2.879	2,083
Bugojno	2.000	1,175
Brcko	2.568	1,582
<b>Total</b>	<b>29.803</b>	<b>22,069</b>
Provision (see note 10e)	- 648	-473
<b>Total</b>	<b>29.155</b>	<b>21,596</b>

**(d) Arrears**

The amounts of loans in arrears are analysed as follows:

(all amounts in thousands of KM)

	<b>31-12-2003</b>	<b>31-12-2002</b>
<b>Current Loans</b>	<b>29,576</b>	<b>21,887</b>
<b>Principal in Arrears:</b>		
Up to 30 days past due	137	129
31 - 60 days past due	42	26

(all amounts in thousands of KM)

	31-12-2003	31-12-2002
61 - 90 days past due	22	19
91 - 120 days past due	26	8
Over 120 days past due	0	0
<b>Total</b>	<b>29,803</b>	<b>22,069</b>
Provision (note 10 e)	- 648	- 473
<b>Total</b>	<b>29,155</b>	<b>21,596</b>

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

### (e) Provisions

The movements in provisions for losses are as follows:

( amounts are in thousands of KM)

	31-12-2003	31-12-2002
Opening Balance	473	338
Doubtful debts expense (see note 5)	246	212
Bad debts written off	- 71	- 77
<b>Closing Balance</b>	<b>648</b>	<b>473</b>

### 11. Other current assets

( amounts are in thousands of KM)

	<u>31/12/2003</u>	<u>31/12/2002</u>
Interest receivable	8	6
Receivable from WV BiH	76	144
Prepaid expenses	659	25
prepaid cost techn adv WV BiH	12	-
prepaid double paid tax for car	2	3
double paid invoice	-	-
travel advances	-	7
Employees	4	-
Loan Portfolio Housing	890	783
<b>Total</b>	<b>1,651</b>	<b>968</b>

### 12. Property and Equipment

(all amounts expressed in thousands of KM)

	Furniture & Equipment	Vehicles	Computer equipment	Total
<b>As at 31-12-2001</b>				
Cost	14	54	55	123
Accum. Depreciation	-1	-2	-3	-6
<b>Net book value 2001</b>	<b>13</b>	<b>52</b>	<b>52</b>	<b>117</b>

<i>(all amounts expressed in thousands of KM)</i>	<b>Furniture &amp; Equipment</b>	<b>Vehicles</b>	<b>Computer equipment</b>	<b>Total</b>
Additions 2002 at cost	47	258	85	390
Adjustments at cost	-20	-38	-18	-76
<b><u>As at 31-12-2002</u></b>				
At Cost	41	274	122	438
Depreciation 2002	-4	-25	-18	-47
Accum. Depreciation	-5	-27	-21	-53
<b>Net book value 2002</b>	<b>36</b>	<b>247</b>	<b>101</b>	<b>385</b>
Additions 2003 at cost	77	181	56	313
Adjustments Depr 2003	-	-	- 2	- 2
Depreciation 2003	-10	-56	-27	-92
<b><u>As at 31-12-2003</u></b>				
At cost	118	455	178	750
Accum Depreciation	-15	-83	- 48	-145
<b>Net book value 2003</b>	<b>103</b>	<b>372</b>	<b>130</b>	<b>605</b>

### 13. Other liabilities

*(amounts expressed in thousands of KM)*

	<b>31-12-2003</b>	<b>31-12-2002</b>
Interest payable on subsidised loans	0	20
Interest Housing	1	4
Deferred revenues	11	16
Owed to WV BiH	13	7
WVI acc Tuzla, housing and DDA	450	288
WVI Grant RS	0	100
Accrued expenses and other liabilities	65	5
Short term Mortgage and Bank Loans	0	0
Long term Mortgage	0	0
<b>Total</b>	<b>540</b>	<b>440</b>

### 14. Funding Capital

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

*(amounts in thousands of KM)*

	<b>31-12-2003</b>	<b>31-12-2002</b>	<b>31-12-2001</b>
Funding Cap. Supplied by WV BiH	800	800	800
<b>Total</b>	<b>800</b>	<b>800</b>	<b>800</b>

## 15. Subsidised loans

### a) Analysis by type of subsidised loan

<i>(all amounts are in thousands of KM)</i>		31/12/2003	31/12/2002
	Interest %		
WV –Canada Global EF	5	-	217
COSPE- Italy	0	-	260
WV Meero- Austria *)	5	-	-
LID Fed BiH	5	2,934	978
LID –RS	5	750	750
USAID Loan	2,5	500	833
USAID 2 Loan	2,5	1,666	-
UNDP	3	-	1,586
KfW- EU Loan	3	3,080	2,445
KfW-EU Loan R SMELP	2,1875	391	-
KfW- EU Loan SMELP-Sch	2,1875	489	-
KfW- EU Loan SMELP-EU	2,1875	489	-
SIDA –Blind association	0	-	3
<b>Total</b>		<b>10,299</b>	<b>7,072</b>

\*) exchange difference

### b) Analysis of subsidised loans by duration (incl. WV loan and mortgages)

*(all amounts are in thousands of KM)*      31-12-2003      31-12-2002

Up 6 months	-	480
6 to 12 months	-	-
Over 12 months	23.775	17.103
No specified maturity *)	-	1.586
<b>Total</b>	<b>23.775</b>	<b>19.169</b>

subsidized loans (note 15)	10.299	7.072
WVI loan agreement (note 18)	12.955	12.097
Mortgage Raiffeisen long (note 19)	420	-
Mortgage Raiffeisen short (note 19)	100	-
rounding off	1	-
<b>Total</b>	<b>23.775</b>	<b>19.169</b>

\*) exchange difference

## 16. Donated Capital

*(all amounts in thousands KM)*

	Loan Capital	Donated Fixed As- sets	Total
<b>Balance 30-9-2000</b>	<b>8,198</b>	<b>450</b>	<b>8,648</b>
Additions 1-10-00 / 30-4-01	1,278	2	1,280
Balance 30-4-2001	9,476	452	9,928

<i>(all amounts in thousands KM</i>	<b>Loan Capital</b>	<b>Donated Fixed As- sets</b>	<b>Total</b>
Transferred Fed part to WV BiH	-6,699	-374	-7,073
<b>Balance 01-05-2001</b>	<b>2,777</b>	<b>78</b>	<b>2,855</b>
Transferred RS part to WV BiH	-2,777	-78	-2,855
Additions 1-05-01 / 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>
Additions 2002 Grant	13	0	13
<b>Balance 31-12-2002</b>	<b>250</b>	<b>3</b>	<b>253</b>
Adjustment 2002 Grant	-13	0	-13
Disposal of stolen donated assets	0	-3	-3
UNDP and CRIC donations	1,631	0	1,631
<b>Balance 31-12-2003</b>	<b>1,868</b>	<b>0</b>	<b>1,868</b>

## 17. Retained Earnings

*(all amounts expressed in thousands of KM)*

<b>Balance 1-10-2000</b>	<b>1,124</b>
Net result for the period until 30-4-2001	729
<b>Balance 30-4-2001</b>	<b>1,853</b>
Transferred to WV BiH on 30 April 2001	-1,180
<b>Balance 1-5-2001</b>	<b>673</b>
Net result 1-5-2001 / 31-12-2001 FBiH	675
Net result 1-5-2001 / 31-12-2001 RS	378
Transferred to WV BiH on 31 December	-1,051
<b>Balance 31-12-2001</b>	<b>675</b>
Net Result RS May-Dec 2001 transferred to EKI	378
Net result EKI for the year 2002	1,384
<b>Balance 31-12-2002</b>	<b>2,437</b>
Correction on Equity 2002	12
Result 2003	1,880
<b>Balance 31-12-2003</b>	<b>4,329</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>(amount 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 annual amount of KM 2, 530,--. Expenditures made by WV BiH relating to EKI are charged to EKI.

### Financed by WV BiH loan agreement

<i>(amounts are in thousands KM)</i>	31/12/2003	31/12/2002
Loan capital supplied by WV BiH to EKI annex 1	6,601	6,601
Loan capital supplied by WV BiH to EKI annex 2	300	300
Loan capital supplied by WV BiH to EKI annex 3	20	20
Loan capital supplied by WV BiH to EKI annex 4	600	600
Loan capital supplied by WV BiH to EKI annex 5	137	137
Loan capital supplied by WV BiH to EKI annex 6	-24	- 24
Loan capital supplied by WV BiH to EKI annex 7	2,777	2,777
Retained Earnings transferred to WV BiH 31-12-2001	1,051	1,051
Loan capital supplied by WV BiH to EKI annex 8	184	184
Loan capital supplied by WV BiH to EKI annex 9	300	300
Loan capital supplied by WV BiH to EKI annex 10	-378	-378
UMCOR funds supplied by WV BiH to EKI annex 11	493	493
CIDA funds supplied by WV BiH to EKI annex 12	442	-
UMCOR funds supplied by WV BiH to EKI annex 13	164	-
Guaranty Fund supplied by WV BiH to EKI annex 14	252	-
Difference fixed assets donation-net book value	20	20
SIDA LFC	16	16
<b>Total</b>	<b>12,955</b>	<b>12,097</b>

### 19. Short term debt and Long term mortgage

<i>(amounts are in thousands KM)</i>	31/12/2003	31/12/2002
Short term debt (WVI housing)	892	841
Raiffeisen short term Credit line	936	-
Short term Mortgage Tuzla building (Raiffeisen)	100	-
<b>Total short term debt</b>	<b>1,928</b>	<b>841</b>
<b>Long term Mortgage Tuzla building (Raiffeisen)</b>	<b>420</b>	<b>-</b>
<b>Total</b>	<b>2,348</b>	<b>841</b>

## 20. Directors' remuneration

A listing of the members of the Management Board is shown on page 6 of this report. The total remuneration for the Management Board was KM 200,973. In 2002 this was KM 294,584.

The Board of Directors as shown on page 5 of this report earned in total KM 6,988 for the year 2003. In 2002 this was KM 4,867.

## 21. Maturity analysis

The amount of total assets and total liabilities analysed over the remaining period to the contractual maturity date at 31 December 2003 is as follows:

<i>(all amounts in thousands of KM)</i>	<b>Demand (incl. arrears)</b>	<b>Up to 6 months</b>	<b>From 6 months to 1 year</b>	<b>Over 1 year</b>	<b>No specified maturity</b>	<b>Total 31/12/2003</b>
<b>Assets</b>						
Cash and cash equivalents	1,122		606			1,728
Loans and advances to	60	14,990	9,292	4,814		29,156
Other current assets	685		966			1,651
Tangible fixed assets				606		606
<b>Total Assets</b>	<b>1,867</b>	<b>14,990</b>	<b>10,864</b>	<b>5,420</b>	<b>-</b>	<b>33,141</b>
<b>Liabilities</b>						
Other liabilities	11	450	1,907			2,368
Subsidised loans				23,775		23,775
<b>Total Liabilities</b>	<b>11</b>	<b>450</b>	<b>1,907</b>	<b>23,775</b>	<b>-</b>	<b>26,143</b>
<b>Total Assets -/- Total Liabilities</b>	<b>1,856</b>	<b>14,540</b>	<b>8,957</b>	<b>- 18,355</b>	<b>-</b>	<b>6,998</b>

## 22. Contingencies and commitments

EKI has rental commitments for buildings with the following maturities:

	<b>&lt; 1 year</b>	<b>Unlimited pe- riod</b>	<b>Total 31/12/2003</b>	<b>Total 31/12/2002</b>
<i>(amounts in thousands KM)</i>				
Office Tuzla	3	-	3	3
Office Dobož	4	2	6	4
Office Sarajevo	1	1	2	2
Head Office Sarajevo	-	3	3	4
Office Zenica	-	3	3	2
Office Mostar	1	1	2	2

	< 1 year	Unlimited pe- riod	Total 31/12/2003	Total 31/12/2002
<i>(amounts in thousands KM)</i>				
Office Bijeljina	-	3	3	2
Office Bugojno	3	1	4	1
Office Brcko	-	1	1	1
<b>Total</b>	<b>12</b>	<b>15</b>	<b>27</b>	<b>21</b>

### 23. Financial instruments

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

- Credit risk

In conducting business activities, EKI is exposed to the possibility that borrowers may default on their obligations to EKI. To minimise this risk EKI evaluates each customers' credit worthiness on a case by case basis. The amount of collateral obtained, if it is deemed necessary by EKI 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. EKI 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, EKI is exposed to market risks which include both price and liquidity risks. Price risk arises from fluctuation in interest rates and liquidity risks arise from the possibility that EKI may be unable to satisfy current and future financial commitments.

### 24. Post Balance Sheet events

On 25 March 2004 EKI signed another agreement with USAID for a 'grant' of US\$ 1.6 mio. To be increased to a total of US\$ 2 mio if EKI fulfils the conditions as stipulated in the "grant agreement". The grant will be paid in trenches of US\$ 400,000. First trench was 14 April 2004.

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