

Financial statements

Years ended December 31, 2001 and 2000

The financial statements are expressed in euros. As at December 31, 2001 the exchange rate of the US dollar versus the euro is 1 USD equals EUR 1.129305 (31/12/2000 1 USD equals EUR 1.07452). No separate data expressed in US dollars are included.

Summary of accounting policies

Description of organization

The Ecumenical Development Cooperative Society U.A. (the Society) was established in 1975 in Rotterdam and possesses corporate status according to the laws of the Kingdom of the Netherlands. The Society is owned by its members throughout the world: churches, subdivisions of churches, councils of churches, church-related organizations, project members and support organizations established by individuals and local parishes.

The duration of the Society is unlimited. The objective of the Society is to mobilize resources from members as well as from third parties (mainly in developed countries) and to channel the proceeds thereof to development projects (in order to raise standards of living) in the poor areas of the world.

The Society has its International Support Office in Amersfoort (the Netherlands) and has regional offices in Abidjan (Côte d'Ivoire), Accra (Ghana), Harare (Zimbabwe), Semarang (Indonesia), Hyderabad (India), Manila (the Philippines), Montevideo (Uruguay), Nairobi (Kenya), Pretoria (South Africa), San José (Costa Rica) and Santiago (Chile). It has country offices in Bolivia, Brazil, Bulgaria, Guatemala, Mexico, Peru, Romania, the Slovak Republic and Thailand (closed in 2002).

The offices in Ghana, Kenya, Chile and the Philippines are incorporated as local legal companies and should therefore be considered as subsidiaries. Due to the immateriality of the assets of these subsidiaries, it has been decided to include the assets as if they were branch offices.

Oikocredit Ecumenical Development Cooperative Society ("Oikocredit") has three related foundations which support the activities of Oikocredit:

- The Oikocredit Funds Management Foundation ("FMF Foundation") was established on 2 December 1996 in Amersfoort according to the laws of the Kingdom of the Netherlands. The duration of the FMF Foundation is unlimited. Main purpose of the FMF Foundation is to manage funds on behalf of third parties in cooperation with Oikocredit.
- The Oikocredit International Share Foundation ("Share Foundation") was established on March 10, 1995 in Amersfoort according to the laws of the Kingdom of the Netherlands. The duration of the Share Foundation is unlimited. Main purpose of the Share Foundation is to provide additional investment possibilities in Oikocredit for non-church bodies, such as banks and development organizations and for individuals in countries where no Support Association exists.
- The Oikocredit International Support Foundation ("Support Foundation") was established on March 10, 1995 in Amersfoort and it was founded in accordance with the laws of the Kingdom of the Netherlands. The duration of the Support Foundation is unlimited. Main purpose of the Support Foundation is to mobilize grant funds to support Oikocredit. Grant funds are used for the so-called "non-banking" and "model costs" of Oikocredit. "Model costs" are costs no financial institution of this size would make, but which are part and parcel of the Oikocredit cooperative model. The Board of the Support Foundation has decided to take some of these costs for their account (Category A) and to endeavour to raise funds to subsidize part of the costs that remain for the account of Oikocredit (Category B).

Category A costs are:

- 100% of the outside technical assistance to project partners;
- 100% of consultants hired for regional offices;
- 30% of Public Relations costs;
- 30% of Fund Development and Member Relations costs Europe;
- 60% of Fund Development and Member Relations costs USA;
- 100% of Members travel costs to AGM (subject to certain conditions);
- 50% of technical and organizational assistance to Support Associations.

Category B costs are:

- The "development" activities of the regional offices: target is to raise 20% of the total costs of the offices;
- Fund Development and Member Relations, Europe: besides the 30% that is directly charged to the Support Foundation, the target is to raise another 30% in subsidies and grants;
- PR expenses: besides the 30% directly charged to the Support Foundation, the target is to raise subsidies and grants for another 30% of these costs;
- Technical and organizational assistance to Support Associations: besides the 50% charged directly to the Support Foundation, the target is to raise subsidies and grants for another 50% of these costs;
- Costs related to AGM and Board meetings: target is to raise subsidies for 50% of these costs;
- Costs related to General Finance and administration expenses: target is to raise subsidies for 5% of these costs;
- Incidental costs: to be decided on a case-to-case basis.

The Support Foundation also manages Local Currency Risk Funds, which have been initiated to cover the risk of currency losses on Oikocredit loans in local currency. Accumulated losses or profits on repayments and interest payments received by Oikocredit will be charged or credited to the available Local Currency Risk Funds within the Support Foundation at the moment the local currency loans are repaid or written off.

We refer to Note 14 on related parties for further information on transactions during the year and amounts owned by and due to related parties, as well as funds available within the Support Foundation.

Deviations on book 2, title 9 of the Dutch Civil Code

The annual accounts are prepared in accordance with book 2, title 9 of the Dutch Civil Code. The exchange fluctuation gains or losses are accounted for as a direct addition to or set off against the (restricted) Exchange Fluctuation Reserve within the Society's Equity. The Society considers that this treatment of foreign currency gains or losses provides more adequate information on its profitability. Although such treatment may depart from international generally accepted accounting principles or legal regulations, the Society finds justification for this departure in Article 362.4 (book 2, title 9) of the Dutch Civil Code.

Translation of foreign currency

Transactions in foreign currencies are translated at current rates (if hedged against the rate of the hedging contracts) in effect at the date of transaction.

Non-settled foreign currency denominated monetary assets and liabilities, as well as US dollar denominated share capital at balance sheet date are translated to euros at year-end rates. Although net exposures in USD are mostly hedged, the related assets and liabilities are also translated at the year-end rates. Gains or losses resulting from conversion during the year, as well as year-end translation of foreign currencies into euros together with results from hedging contracts, which were settled during the year are directly added to or set off against a restricted reserve in the Society's equity. The income or costs related to hedging are taken up as operating expenses and are released/charged over the duration of the hedging contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Expenditure for additions, renewals and improvements are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included under expenses. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful life of the respective assets.

Investments

It is the policy of the Society to maintain a certain portion

of the value of its share capital in Long Term Investments as the non-project part of share capital that provides safety and operating income.

The Society implemented a strategy of active management of the Long Term Investment Portfolio. The Long Term Investments in bonds and shares are valued at market value from January 1, 1999 onwards. Realized and unrealized gains and losses during a financial year are taken to the Equalization Reserve for marketable securities. As a consequence the balance of this reserve can be positive, as well as negative. At the end of each financial year, the realized and unrealized gains and losses during the year on the marketable securities are amortized over the average duration of the portfolio at the end of each year. The amortizations for each year are charged to or released from the Equalization Reserve to investment income. With this system the Society believes that it accounts for a relatively constant stream of investment income over the duration of the investment portfolio, avoiding the annual changes in market value in the Profit and Loss account causing material fluctuations in investment income.

Project funding

Project funding outstanding is valued at face value taking into account the exchange rate at year end. Project equity investments are valued at the lower of cost or market value, except for Banco del Desarrollo (Chile) which is valued at our share in the net equity less related expected tax liabilities or lower market value. In the absence of a regular market for investments, valuation is based on best estimates of market value. Allowances against the risk on recovery of the investments are made in the same manner as with other project funding.

Provision for possible losses

The Society's provision for possible project funding losses is based on an evaluation of the risks of the current project funding portfolio (loans, guarantees and equity investments) in terms of present and anticipated future conditions.

A general allowance is made to meet potential risks in the starting period of all projects. This general allowance is built up by a fixed percentage of the total amount disbursed

on project funding in the year of disbursement and the next two years. This general allowance is gradually reduced over the years for those projects that do not show specific risks.

Additions to or withdrawals from the allowance for project funding risks are included in the determination of net income.

The portfolio is evaluated for specific risks arising from each particular project. The risks of project funding are however not only related to the specific project; deteriorating economic circumstances and/or changes in the political scene in a country in which a project is situated may induce restrictions on international banking or conversion of currencies. Based on this total evaluation an allowance against the risk of non-repayment is established. If the provision is inadequate any remaining loss is charged to the Statement of Income.

Income and expense recognition

Income from investments, expenses, outstanding project funding, management fees and time deposits are recognized as accrued. The Society does not accrue or invoice interest anymore for projects that are considered "non-performing". Non-performing projects are projects which are in the process of foreclosure or being written off and where the value of the securities does not exceed the amounts due to the Society.

Grant contributions

Designated grants are included as income in the year in which such grants are received.

Taxes

The tax authorities in the Netherlands have exempted the Society from profit tax, value added tax and gift tax. They have also decided that no tax will have to be withheld on dividends distributed by the Society to its members.

Changes in classification

Prior year figures have been reclassified where necessary for comparative purposes. These reclassifications have no impact on results and equity.

Balance Sheet as of December 31, 2001

Notes	31-12-01 EUR ,000	31-12-00 EUR ,000
LONG TERM ASSETS		
1	Development Financing:	
	Project funding:	
	Approved	112,744
	Less: - Not yet disbursed	(22,387)
		<hr/>
	Deposits at financial institutions:	75,246
		947
		<hr/>
	Total Development Financing	76,193
	Less: - Loss provision	(12,479)
		<hr/>
	76,358	63,714
2	Long Term Investments	96,449
3	Tangible fixed assets	214
		<hr/>
	Total Long Term Assets	160,377
CURRENT ASSETS		
4	Receivables	7,828
5	Cash and Banks	4,553
		<hr/>
	Total Current Assets	12,381
		<hr/>
	TOTAL ASSETS	172,758
MEMBERS' EQUITY		
6	Issued capital	140,136
6	General Reserve	4,351
7	Other reserves	3,514
		<hr/>
	168,048	148,001
LIABILITIES		
8	Long term	13,344
9	Current	11,413
		<hr/>
	28,648	24,757
		<hr/>
	TOTAL LIABILITIES	172,758

The accompanying notes are an integral part of these financial statements.

Income Statement for the year 2001

Notes	2001 EUR ,000	2000 EUR ,000
INCOME		
	Projects	4,835
	Deposits at financial institutions	215
	Management fees	246
		<hr/>
	Total Development Financing	5,296
	Long Term Investments	5,620
10	Other income	(59)
		<hr/>
	TOTAL INCOME	10,857
EXPENSES		
12	Personnel	2,179
	Travel	276
	General	1,288
	Less: - Grant income	(315)
		<hr/>
	TOTAL EXPENSES	3,428
		<hr/>
	GROSS INCOME	7,429
11	Less: - Additions to loss provision	(4,114)
		<hr/>
16	NET INCOME	3,315

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement 2001

	2001 EUR ,000	2000 EUR ,000
CASH FLOW FROM OPERATIONS		
Income from Development Financing		
Dividends, interest and guarantee fees	4,931	3,538
Management fees	506	286
Interest from deposits in financial institutions	42	589
	<u>5,479</u>	<u>4,413</u>
Income from other sources		
Interest received from LTI	5,974	5,091
Interest from cash and time deposits	140	39
	<u>6,114</u>	<u>5,130</u>
Operating costs	(3,551)	(3,749)
Interest paid	(337)	(318)
Dividends paid	(1,702)	(736)
Total cash from operations	<u>6,003</u>	<u>4,740</u>
CASH FLOW FROM CAPITAL MOBILIZATION		
New funds		
Issue of shares (less redemptions)	18,621	17,902
Long Term Loans (less redemptions)	4,396	869
Cash (paid) received on behalf of Oikocredit International Support Foundation	(1,733)	1,968
	<u>21,284</u>	<u>20,739</u>
Total cash from capital mobilization	<u>21,284</u>	<u>20,739</u>
CASH USED FOR INVESTING ACTIVITIES		
Project funding (net additions)		
Disbursements	(22,519)	(23,583)
Less: - Repayments of principal	6,838	4,650
	<u>(15,681)</u>	<u>(18,933)</u>
Net (investment) disposals of deposits at financial institutions in development countries	(365)	6,093
Long Term Investments (net additions)	(6,951)	(10,257)
Tangible fixed assets (net additions)	(201)	(91)
Total cash used for investing activities	<u>(23,198)</u>	<u>(23,188)</u>
Exchange rate differences during the year	135	823
CHANGES IN CASH AND BANKS	<u>4,224</u>	<u>3,114</u>

Some of the items have been calculated against average exchange rates over the year, while other items have been calculated on the basis of daily exchange rates. As a consequence exchange differences will arise.

Notes to the financial statements

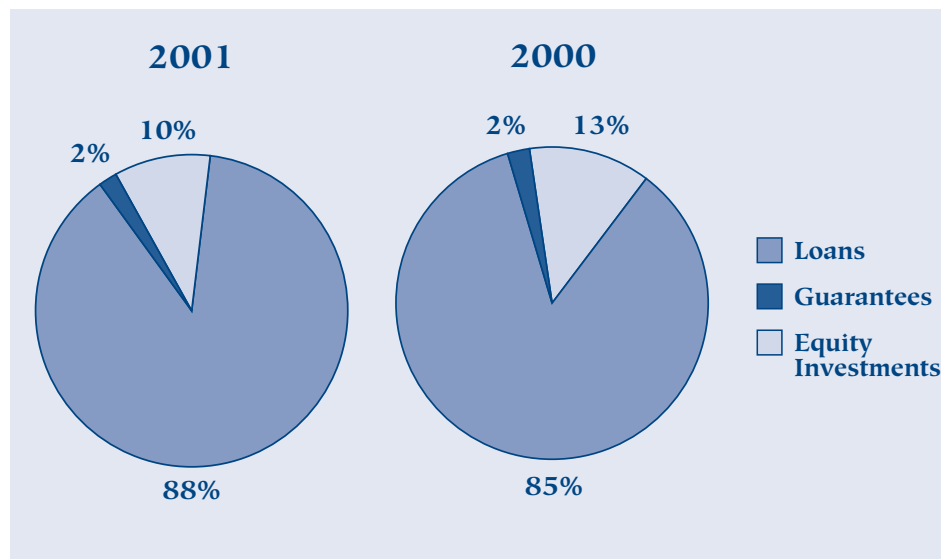
NOTE 1. DEVELOPMENT FINANCING

1.1 Changes in project funding

Changes in project funding are as follows:

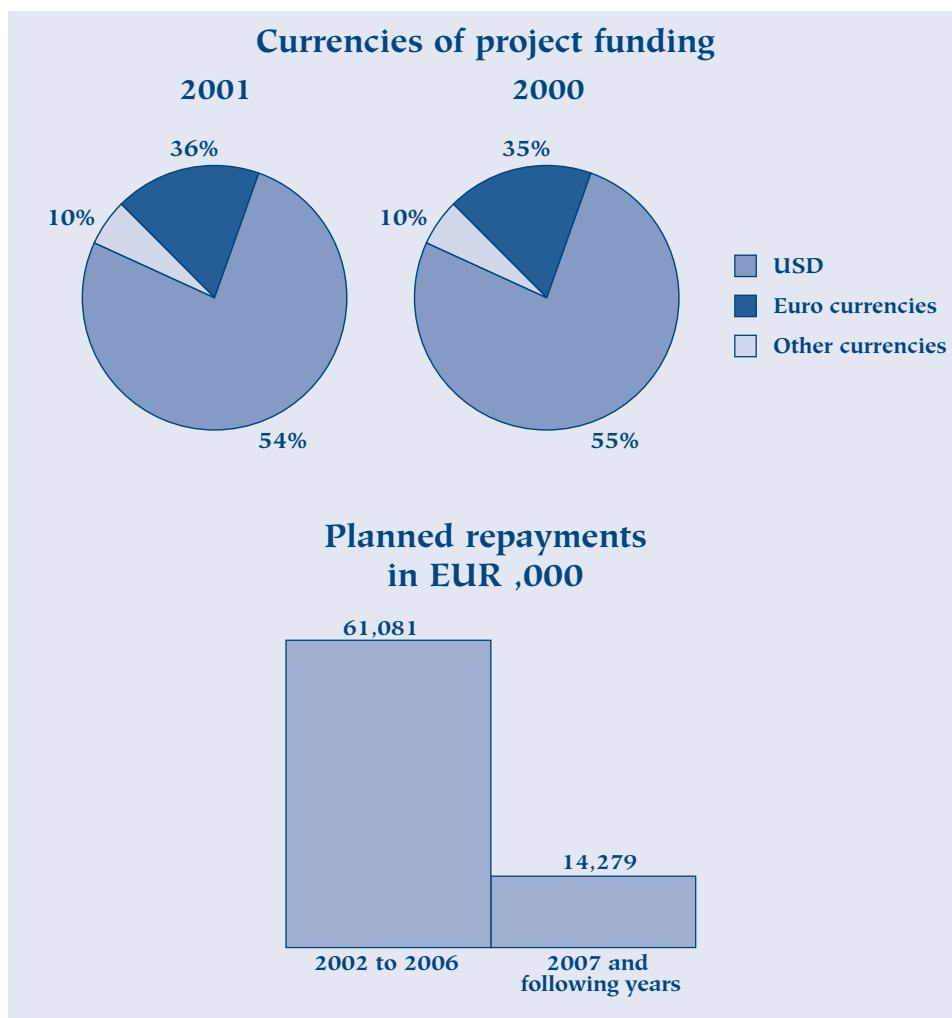
	2001 EUR ,000	2000 EUR ,000
Outstanding as of January 1	75,246	57,255
Disbursements	22,617	23,511
Revaluation	280	260
Capitalized interest and dividends	774	752
Less: - Repayments	(6,818)	(5,281)
- Write-offs	(2,618)	(3,112)
Exchange adjustments	876	1,861
Outstanding as of December 31	90,357	75,246
Approved in the year	28,145	25,926
Less: - Commitments cancelled	(5,021)	(3,477)
Not yet disbursed January 1	20,974	20,816
Less: - Disbursements	(22,617)	(23,511)
Exchange adjustments	906	1,220
Approved as of December 31	112,744	96,220

1.1.1. Project funding outstanding as of December 31, 2001, are made up of Loans (EUR 79,061,000), Guarantees (EUR 1,967,000) and Equity Investments (EUR 9,329,000).



1.1.2. Specification of outstanding loans and guarantees

The outstanding project loans and loan guarantees as of December 31, 2001, can be specified by type of currency and planned repayments as follows:



The Society has entered into agreements to guarantee local loans to projects from other financial institutions for a total of EUR 1,967,000. Of this amount EUR 1,173,000 is covered by letters of guarantee from Rabobank Nederland and the balance of EUR 794,000 is covered by letters of guarantee from various banks, which are backed by Oikocredit deposits in the same banks.

1.1.3 Equity Investments included in project funding

Book value of Equity Investments as of 31-12-2001 and 31-12-2000¹⁾

	31-12-01 EUR ,000	31-12-00 EUR ,000
Banco del Desarrollo, Chile	5,804	5,744
Fondo de la Comunidad, Bolivia	1,129	1,075
SURCO, Uruguay	1,129	1,075
Davao Cooperative Bank, the Philippines	0	645
Banco Solidario Ecuador	565	537
Community Capital Bank, USA	339	322
Galgafarm, Hungary	187	187
Inversiones para el Desarrollo, Chile	121	76
Other	55	53
	9,329	9,714

¹⁾ Excluding Loan Loss Provisions

1.2. Deposits at financial institutions active in development countries

Book value of deposits at financial institutions as of 31-12-2001 and 31-12-2000

	31-12-01 EUR ,000	31-12-00 EUR ,000
Banco del Desarrollo, Chile USD and UF deposits ¹⁾	1,312	947

¹⁾ This amount will mature within a few months from the end of 2001. It is the intention to reinvest this amount when it expires, until it can be changed over to project financing.

1.3. Provision for possible losses on project funding and deposits at financial institutions

1.3.1 Changes in the provision for possible losses are summarized as follows:

	2001 EUR ,000	2000 EUR ,000
Balance as of January 1	12,479	11,573
Additions	5,017	3,419
Exchange adjustments	433	599
	17,929	15,591
Less: - Write-offs	(2,618)	(3,112)
Balance as of December 31	15,311	12,479

NOTE 2. LONG TERM INVESTMENTS

Summary of Long Term Investments:

	2001 EUR ,000	2000 EUR ,000
Balance as of December 31	104,242	97,506
Less: - Pledged bonds for guaranteed projects	(1,155)	(1,057)
	<hr/>	<hr/>
Balance as of December 31	103,087	96,449
Changes in LT Investments are as follows:		
	2001 EUR ,000	2001 EUR ,000
Book value as of January 1	97,506	87,759
Investments during the year at cost	35,839	62,275
Disinvestments/redemptions during the year at cost	(28,894)	(52,646)
Revaluation to market value as of December 31	(477)	(203)
Exchange adjustments	268	321
	<hr/>	<hr/>
Book value as of December 31	104,242	97,506
Of which: - In bonds, deposits	96,606	97,267
- In shares	7,542	143
- In direct loans	94	96

The interest received on the USD bonds, in so far as they are not held for staff pension fund purposes, is sufficient to cover interest due on the US Notes loans (USD 183,000). Of the Investments in bonds 37% (2000: 32%) has a medium-term maturity (1-5 years), while 63% (2000: 68%) matures thereafter.

The average duration of the portfolio as at 31/12/2001 was 4.9 (31/12/2000: 5.0).

Our Long Term Investments are screened using our own ethical criteria as well as if they are included in ethical investment funds. The following ethical investment funds and indicators are used in evaluating the ethical content of our investments: Stimulus, Oekovision, Meerwaarde Beleggingsfonds, Dow Jones Sustainability Growth Index, RG Duurzaam Aandelenfonds, Sarasin Fairinvest Universal, Ethos, Domini Social Index, Het Andere Beleggingsfonds, The Ethical Trust, Sarasin, Oekosar Portfolio, KD Fonds Oeko Invest, ASN Source Ethical Universe.

LT Investments¹⁾ as of December 31, 2001 consist of:

	31-12-01 EUR ,000	31-12-00 EUR ,000
Development banks and countries		
N.I.B. for Development countries, the Netherlands	5,877	
Asian Development bank	5,372	
Republic of South Africa	5,031	
United Mexican States	3,272	
Inter American Development Bank •	2,343	
Poland Government	1,981	
Korean Development Bank	1,337	
Republic of the Philippines	-	
Republic of Chile •	410	
Other	135	
	<hr/>	<hr/>
Subtotal development banks and countries	25,758	24,865

Other Long Term Investments:

Bonds

Government-related bonds, investment banks:

Bank Nederlandse Gem., the Netherlands ••	2,580
Nederlandse Waterschapsbank, the Netherlands	2,463
N.I.B. the Netherlands	471
European Investment Bank	15

Corporate Bonds²⁾

ING NV, the Netherlands (9)	9,985
ABN AMRO bank the Netherlands (5)	9,882
Deutsche Bahn Finance BV (2)	6,240
Royal Bank of Scotland (2)	6,705
Lloyds TSB Bank, UK (4)	5,788
Aguas de Barcelona, Spain (3)	4,107
Halifax PLC UK (2)	3,826
Credit Local de France (Dexia) (2) ••	3,303
TPSA Finance, the Netherlands	3,115
Telstra Corporation, Australia (1)	2,323
Tele Danmark, Denmark (2)	1,946
Hypobank, Essen, Germany	1,600
Crown Cork and Seal Co, USA (2)	1,552
Pacific Life, USA	1,553
Barclays Bank, UK (2)	1,483
Energie Oberösterreich, Austria	915
East Japan Railway, Japan (3) •	926
Rabobank members certificates	164
<i>Subtotal bonds</i>	<hr/> 70,942

Shares

ASN Share fund (1)	6,675
EKG Global Stars Share fund, Germany (1)	736
Het Andere Beleggingsfonds, the Netherlands (1)	131
<i>Subtotal shares</i>	<hr/> 7,542

Subtotal other Long Term Investments

78,484 72,641

Total book value

104,242 97,506

¹⁾ LT Investments are euro currency denominated except for bonds marked with • which are USD denominated and •• which are partly GBP denominated.

²⁾ In brackets the number of ethical investment funds in which the bond was included.

NOTE 3. TANGIBLE FIXED ASSETS

Changes in tangible fixed assets in 2001 and in the cost of acquisition and accumulated depreciation as of December 31, 2001 are specified as follows:

	2001	2000
	EUR ,000	EUR ,000
Book value as of January 1	214	188
Additions	201	91
Less: - Depreciation over the year	(102)	(65)
- Subsidies received	(23)	0
Book value as of December 31	290	214
Of which: - At original cost	805	626
- Less: Accumulated depreciation	(515)	(412)

The useful life of the equipment is estimated at five years on average. Information Technology (IT) equipment is depreciated in 3 years. Buildings are depreciated in 25 years.

NOTE 4. RECEIVABLES

The receivables maturing within one year can be broken down as follows:

	31-12-01	31-12-00
	EUR ,000	EUR ,000
Accrued interest	4,714	4,340
Of which: - On time deposits, deposits at financial institutions	25	33
- On investments	2,887	3,021
- On project funding net of allowance	1,802	1,286
Interest receivable	1,745	2,102
- Face Value	3,920	3,792
- Less: Allowance for Uncollectability	(2,175)	(1,690)
Staff loans ¹⁾	909	518
Sundry receivables	816	868
Balance as of December 31	8,184	7,828

¹⁾ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

Changes in the allowance for uncollectability are specified as follows:

	2001	2000
	EUR ,000	EUR ,000
Balances as of January 1	1,690	2,024
Additions charged to income	893	695
Write-offs from allowance	(462)	(1,095)
Year-end exchange adjustment	54	66
Balance as of December 31	2,175	1,690

NOTE 5. CASH AND BANKS

Cash and bank balances are made up as follows:

	31-12-01	31-12-00
	EUR ,000	EUR ,000
Time deposits	8,696	4,485
Of which: - Euro currencies	6,164	1,072
- US dollars	2,515	3,397
- Philippine pesos	17	16
Less: - Pledged deposits	(1,016)	(1,038)
Cash balances	7,680	3,447
	1,097	1,106
Balance as of December 31	8,777	4,553

The Society maintains its funds in banking institutions in Europe, Asia, South America and in the United States of America. The time deposits as of December 31, 2001 all mature in 2002. The Society has credit facility agreements with Dutch banks amounting to EUR 2,750,000. One of the credit facilities amounting to EUR 2,000,000 is subject to the following conditions:

- The ratio members equity to total assets should at least be 70%
- The ratio Long Term Investments to share capital should at least be 40%
- A negative pledge is given to the financial institution not to sell or pledge the Long Term Investment portfolio other than transactions resulting from the normal cause of business.

NOTE 6. ISSUED CAPITAL & GENERAL RESERVE

The Society issues euro and US dollar denominated shares of EUR 200 and USD 250 respectively. The number of authorized shares of capital stock is unlimited. Changes in share capital and General Reserve can be summarized as follows:

	2001	2000
	EUR ,000	EUR ,000
Issued capital:		
Balance as of January 1	140,136	120,691
New shares issued	19,265	18,608
Exchange adjustment	713	837
Balance as of December 31	160,114	140,136
Of which: - Euro shares	142,295	126,164
- US dollar shares	17,819	13,972
General Reserve		
Balance as of January 1	4,351	3,711
Appropriation for the year	374	640
Balance as of December 31	4,725	4,351

Shares shall be redeemed, if a member has ceased to be a member of the Society, no later than five years after the cessation of membership. Partial redemption is also possible. If the annual accounts show a loss, the amount payable upon redemption of the shares shall not exceed the sum corresponding to the value of the shares according to the balance sheet last established (see article 12 of the Articles of Association).

NOTE 7. OTHER RESERVES

Other reserves are built up as follows:

	31-12-01 EUR ,000	31-12-00 EUR ,000
Exchange Fluctuation Reserve	2,642	2,590
Equalization Reserve Long Term Investments	567	924
Balance as of December 31	3,209	3,514

The Exchange Fluctuation Reserve represents the accumulation of gains and losses on assets and liabilities not nominated in euro.

Changes Equalization Reserve:

	2001 EUR ,000	2000 EUR ,000
Balance as on January, 1	924	1,875
Realized results on sale of bonds	385	(442)
Unrealized results on Long Term Investment	(477)	(203)
Amortization to income	(248)	(303)
Exchange rate differences	(17)	(3)
Addition to this reserve out of Allocation of Net Income	-	-
Balance as of December 31	567	924

NOTE 8. LONG TERM LIABILITIES

Long term liabilities are made up as follows:

	31-12-01 EUR ,000	31-12-00 EUR ,000
US Note loans ¹⁾	2,074	4,440
Loans Shared Interest ²⁾	5,093	4,001
Funds under Management ³⁾	6,058	3,875
Loan Basel Pension Kasse ⁴⁾	1,129	-
Other liabilities ⁵⁾	1,436	1,028
Total long term liabilities	15,790	13,344

¹⁾ Loans, taken from Oikocredit USA against their US Notes issue. The weighted average interest rate of the loans over 2001 was 2.7% (2000 2.6 %). Expenses related to the US Notes issues have been taken up under prepaid expenses. The loans mature between 2001 and 2008.

²⁾ The Loans of Shared Interest consist of four loans:

^{a)} Five-year loan of GBP 2,000,000 covered by a GBP/USD swap agreement for principal and interest with Rabobank Nederland over the same period. Repayment will take place in 5 equal yearly tranches which started in 1998 and ends in 2002. At December 31, 2001 GBP 0.4 million was outstanding. The long term portion of the loan amounts to nil. The amount that will become due during 2002 of GBP 400,000 is taken up under current liabilities.

^{b)} Five-year loan of GBP 1,000,000 covered by a GBP/USD swap agreement for principal and interest with Rabobank Nederland over the same period. Repayment will take place in one payment on April 30, 2004.

^{c)} Five-year loan of GBP 1,000,000. Repayment will take place in one payment on April 30, 2005.

^{d)} Five-year loan of GBP 1,000,000. Repayment will take place in one payment on April 30, 2006.

³⁾ Funds managed by Oikocredit on behalf of the Oikocredit Funds Management Foundation which have been disbursed to Oikocredit projects. The Oikocredit Funds Management Foundation receives its funds under contract from various donor agencies. The funds are managed by Oikocredit for the risk and account of these donor agencies. Breakdown per donor agency as of year end:

• Cordaid	EUR 998,000
• EZE	EUR 265,000
• Novib/ASN Fund	EUR 1,840,000
• Novib	EUR 1,211,000
• Church of Sweden Aid	EUR 1,744,000

⁴⁾ Loan from Basel Pension Fund. A loan of USD 1,000,000 granted during 2001 and repayable on December 31, 2010. The loan bears interest at 1% per annum.

⁵⁾ Other liabilities include Provident Fund accounts of overseas Regional Managers of the Society. Funds relating to these liabilities are invested in USD bonds.

NOTE 9. CURRENT LIABILITIES

All current liabilities mature within one year and can be specified as follows:

	31-12-01 EUR ,000	31-12-00 EUR ,000
US Note loans expiring within one year	6,096	2,960
Dividend payable	2,967	2,667
Taxes payable	932	819
Oikocredit Foundations	849	2,259
Shared Interest loans expiring within one year	704	1,311
Accrued expenses and management fees	524	882
Pension premiums and liabilities	331	381
Local currency loans reserve	187	66
Sundry liabilities	268	68
Balance as at December 31	12,858	11,413

NOTE 10. OTHER INCOME

Other income can be specified as follows:

	2001 EUR ,000	2000 EUR ,000
Interest on time deposits, current accounts and other income	132	58
Interest allocated from Long Term Investments	207	203
Less interest expenses on:		
- US Notes loans	(207)	(203)
- Shared Interest loans	(118)	(114)
- Other borrowing	(12)	(3)
	2	(59)

NOTE 11. ADDITIONS TO LOSS PROVISION

The breakdown of the additions to the project funding loss provisions is as follows:

	2001 EUR ,000	2000 EUR ,000
Additions to provisions against losses:		
- On principal projects and large deposits	5,017	3,419
- On interest	893	695
	5,910	4,114

NOTE 12. PERSONNEL

1. The average number of employees who were directly or indirectly employed by the Society in 2001 on the basis of Full Time Equivalents (FTE) amounted to 78 (2000: 71). This number includes staff employed by the regional offices.

2. Personnel expenses:

	2001 EUR ,000	2000 EUR ,000
Salaries staff based in the Netherlands	1,058	853
Pension charges staff based in the Netherlands ¹⁾	177	111
Social securities charges and other personnel costs staff based in the Netherlands	124	88
All other personnel costs	1,319	1,210
Less: Charged to the Support Foundation	(98)	(83)
	2,580	2,179

¹⁾ Including pension charges previous years

NOTE 13. REMUNERATION OF THE BOARD OF DIRECTORS

No remuneration is paid to the Board of Directors, who serve in an honorary capacity.

NOTE 14. RELATED PARTIES**14.1 Transactions with Oikocredit Foundations during the year**

Transactions with the Oikocredit International Support Foundation:

During 2001 EUR 191,000 of Category A costs¹⁾ were directly charged to the Oikocredit International Support Foundation (1999: EUR 243,000). The Board of the Oikocredit International Support Foundation decided during 2000 that from 2000 onwards, Category A costs will be charged directly to the Oikocredit International Support Foundation.

Grant income (included in the Profit and Loss account) refers to amounts raised by the Oikocredit International Support Foundation for the non-banking part of our costs and our "model costs" (Category B costs¹⁾) and during 2001 it amounted to EUR 620,000 (2000: EUR 315,000).

¹⁾ See for a description of Category A and Category B costs under Description of Organization in the Summary of Accounting Policies.

Transactions with the Oikocredit Funds Management Foundation:

During 2001 we received management fees from the Funds Management Foundation for the amount of EUR 263,000 (2000: EUR 246,000) and these fees were included under the heading Management fees in the Profit and Loss statement.

Transactions with the Oikocredit International Share Foundation:

There were no transactions with the International Share Foundation during 2001.

14.2 Amounts owed by and to Oikocredit Foundations (market interest rates are charged on these amounts)

Amounts owed to related parties:

	31-12-2001 EUR ,000	31-12-2000 EUR ,000
Oikocredit International Support Foundation	1,597	3,330
Oikocredit Funds Management Foundation (Note 8)	6,058	3,875
	7,655	7,205

Amounts owed by related parties:

Oikocredit International Share Foundation	62	74
Oikocredit Funds Management Foundation	686	997
	748	1,071

14.3 Funds available within Oikocredit Foundations

Total funds available within the Support Foundation to cover future Category A and B costs of Oikocredit amount to approximately EUR 2 million as at year end.

At year end the available Local Currency Risk Funds to cover future currency losses on local currency loans within the Support Foundation amount to approximately EUR 5.8 million.

NOTE 15. USE OF FINANCIAL INSTRUMENTS

Besides euro shares, the Society issues USD denominated shares and has Long Term Loans in USD. The objective is to achieve a better matching between assets in US dollars and outstanding USD Liabilities. Any remaining material net exposure on USD appearing during the year is hedged. The exposure of USD 12,500,000 is covered by a long term currency swap contract expiring in 2003 based on an exchange rate of 1 USD is EUR 0.8599139. This swap contract has a fixed interest rate on the euro part of the swap and a variable interest rate on the USD part of the swap. The related costs to this hedging contract are taken up as operating expenses and are charged to the income statement over the duration of the hedging contract.

The net USD exposure in Project Income for 2001 and 2000 has also been hedged. The objective is to avoid declining USD vs EUR exchange rate differences, negatively influencing the income of the society during the financial year. To meet our objectives Oikocredit entered into average rate currency contracts with a financial institution. This contract measures the average actual rate of the USD vs the EUR over the financial year versus the hedged rate. The differences between average actual exchange rates and hedged rates for our net exposure in USD project income for 2001 and 2000 were settled with this financial institution. During 2001 and 2000 the actual USD vs EUR exchange rates were higher than the hedged rates.

NOTE 16. ALLOCATION OF NET INCOME

In respect of the allocation of Net Income the Society's Articles of Association determine the following (Article 35): "The net profits shall be allocated by the Annual General Meeting after receiving the proposals of the Board of Directors." The Board of Directors will make the following proposal to the Annual General Meeting as to the 2001 net income:

To pay a dividend of 2% on all outstanding shares as at December 31, 2001 which were also outstanding as at December 31, 2000 and to pay a dividend of 1% on all outstanding shares as at December 31, 2001 which were also outstanding as at June 30, 2001 but not yet outstanding as at December 31, 2000 and to pay a dividend of 0.5 % on all outstanding shares as at December 31, 2001 which were not yet outstanding as at June 30, 2001. Dividend to be paid in shares or in cash at the members' option.

According to this proposal the allocation of the 2001 net income will be as follows:

	2001	2000
	EUR ,000	EUR ,000
Dividend Distribution	2,967	2,675
General Reserve	374	640
Net Income	3,341	3,315

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AUDITORS' REPORT

Introduction

We have audited the 2001 financial statements of Oikocredit, Ecumenical Development Co-operative Society U.A., Amersfoort, The Netherlands, as included in this report. These financial statements are the responsibility of the Society'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 auditing standards generally accepted in The Netherlands. 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 financial statement presentation. 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 the Society as of December 31, 2001 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Utrecht, February 15, 2002


PricewaterhouseCoopers N.V.

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