

Slovenský záručný a rozvojový fond, s. r. o.

**Audited annual report for the year ended
31 December 2011**

Slovenský záručný a rozvojový fond, s. r. o.

**Audited annual report for the year ended
31 December 2011**

Table of contents

Management and Administration.....	3
Executive Directors' report.....	6
Independent Auditors' report.....	9
Statement of financial position	10
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14

Management and Administration

Registered office

Slovenský záručný a rozvojový fond, s. r. o.

Panenská 21
811 03 Bratislava
Slovakia

Executive Directors

Robin Vaudrey (appointed on 23 March 2009)
Peter Žitný (appointed on 02 June 2011)

Supervisory board

Mário Virčík
Appointed on: 03.03.2011

Rastislav Antala
Appointed on: 13.05.2011

Adriana Ďurináková
Appointed on: 03.03.2011

Ing. Juraj Juhász
Appointed on: 03.03.2011

Ing. Ivan Gránsky
Appointed on: 03.03.2011

Anton Mat'ašek
Appointed on: 03.03.2011

Zoltán Tihanyi
Appointed on: 03.03.2011

Roderik Klinda
Appointed on: 03.03.2011

PhDr. Emil Pícha CSc.
Appointed on: 08.09.2011

Ing. Helena Fatyková
Appointed on: 21.03.2009 , Terminated on : 03.03.2011

Pavol Holík
Appointed on: 02.02.2010 , Terminated on : 03.03.2011

Ing. Ivica Matušiková
Appointed on: 02.02.2010 , Terminated on : 03.03.2011

Miroslav Poláček
Appointed on: 03.03.2011 , Terminated on : 13.05.2011

Mgr. Marcela Zubriczká
Appointed on: 21.03.2009 , Terminated on : 03.03.2011

Ing. Pavol Kubala
Appointed on: 21.03.2009 , Terminated on : 08.09.2011

Banks

Tatra banka, a.s.
Hodžovo námestie 3
811 06 Bratislava

Štátna pokladnica
Radlinského 32
810 05 Bratislava 15

Treasury banks

Všeobecná úverová banka a.s.
Mlynské nivy 1
829 90 Bratislava
Slovakia

Banque et Caisse d'épargne de l'état de Luxembourg
16, rue Ste Zithe
L-2954 Luxembourg

Administrative Agent

TMF Services Slovakia s.r.o.
Panenská 21
811 03 Bratislava
Slovakia

Auditor

KPMG Slovensko spol. s r.o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Legal advisor

Allen & Overy Bratislava, s.r.o.
Eurovea Central 1
Pribinova 4
811 09 Bratislava
Slovakia

Slovenský záručný a rozvojový fond, s. r. o.

Tax Advisor

Deloitte Tax k.s.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovakia

Slovenský záručný a rozvojový fond, s. r. o.

Executive Directors' report

For the period from January 1, 2011 to December 31, 2011

General information

JEREMIE (Joint European Resources for Micro to Medium Enterprises) is a joint initiative launched by the European Commission (Directorate General Regional Policy) and the European Investment Bank group to improve access to finance for small and medium-sized enterprises (the "SMEs") in the European Union ("EU") within the EU Structural Funds framework for the period 2007 - 2013. JEREMIE enables the EU Member States and Regions to allocate money from the EU Structural Funds and also national resources into holding funds that can finance SMEs in a flexible and innovative way. The JEREMIE initiative aims at developing and fostering the role of entrepreneurship within the EU in order to meet the objectives of the Lisbon agenda and help EU Structural Funds to deliver greater benefits to the market.

The Government of the Republic of Slovakia has positively assessed the benefits of JEREMIE implementation during the fourth Programming Period (2007 – 2013) and allocated EUR 100 million under the Operational Programmes Competitiveness and Economic Growth, Bratislava Region, and Research & Development.

JEREMIE implementation structure

The European Investment Fund ("EIF") has been selected to manage the implementation of JEREMIE based on provisions of the General Regulation 1083¹. To this end the Framework Agreement was concluded on 23 December 2008 and subsequently amended on 28 April 2010 and on 12 January 2011, between the Slovak Republic (hereinafter "SR") and EIF. Also Funding Agreements were entered into on 28 October 2009, and subsequently amended on 28 April 2010, between the Ministry of Education, Science, Research and Sport of the Slovak Republic, and EIF, and on 28 October 2009, and subsequently amended on 7 May 2010 and 26 May 2011, between the Ministry of Agriculture and Rural Development of the Slovak Republic and EIF, and on 28 October 2009, and subsequently amended on 25 May 2010 between the Ministry of Economy and EIF. A Side Protocol to the Funding Agreement was also entered into between the Ministry of Economy and EIF on 30 June 2011. The Framework Agreement and the Funding Agreements (including the Side Protocol) are hereinafter collectively referred to as the "Agreements".

The Agreements provide for JEREMIE implementation through a holding fund organised as a special purpose vehicle (the "SPV") under the laws of the Slovak Republic.

The SPV was incorporated by SZRB in March 2009 as a limited liability company under the Slovak Commercial Law under the name Slovenský záručný a rozvojový fond, s.r.o. (the "Company"). The Company was capitalised with the JEREMIE contributions of EUR 100 million in 2011.

EIF and the Company entered into a Holding Fund Agreement, valid and effective in January 2011, under which EIF is tasked with carrying out of the JEREMIE implementation activity.

¹ Council Regulation (EC) No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Slovenský záručný a rozvojový fond, s. r. o.

JEREMIE implementation activity

The JEREMIE Investment Strategy approved by the Investment Board for the Operational Programmes Competitiveness and Economic Growth, Bratislava Region, and Research and Development, focuses on two product types:

- equity financing through fund structures, and
- debt financing through portfolio guarantees.

The former category addresses the particular equity gap on the Slovak market, especially in the seed and early stages. It is foreseen that under the JEREMIE initiative investments of up to EUR 50 million will be made into companies with high growth potential by specialised fund managers active in venture capital. The latter product is expected to result in at least EUR 200 million of new lending to SMEs on preferential terms through portfolio guarantees offered to financial intermediaries.

With regards to the investment strategy outline above, the following call for expressions of interest under the JEREMIE initiative in Slovakia was published by EIF in the course of 2011:

INSTRUMENT	JEREMIE Allocation	Leverage Portfolio
First Loss Portfolio Guarantee	EUR 38m	EUR 200m
Total	EUR 38m	EUR 200m

Overview and analysis of the Company's activities in 2011

The Company did not undertake any activities in 2011 other than the implementation activity above.

Structure of the Company's share capital

At December 31, 2011, the Company's share capital was distributed between SZRB, holding 99% of voting rights, and EIF with 1% of voting rights, but with unanimous decision-making required for key corporate decisions. Nominal share capital contributed is disproportionate to the voting rights.

Significant events occurring between the end of the reporting period and the date of preparation and approval of the report of the management and Company's activities in 2011

No significant subsequent event which would need to be disclosed in the financial statements of the Company has occurred since the statement of financial position date.

Future developments

As at December 31, 2011, the Company only held cash in EUR denominated accounts and on term deposits, and is therefore exposed only to the credit risk from the financial institutions where the cash is deposited.

Credit risk

The EUR denominated current accounts are with the Slovak State Treasury, while funds placed on term deposits are with VUB bank.

Slovenský záručný a rozvojový fond, s. r. o.

Management

The Company has a two-tier management system with two Executive Directors who as at December 31, 2011 were: Robin Vaudrey and Peter Žitný, and a 9 member Supervisory Board composed of representatives of the managing authorities as well as four independent experts. One of the Executive Directors is nominated by EIF and the other is nominated jointly by the Ministry of Finance and the Ministry of Economy.

The Company is represented and managed jointly by the Executive Directors. As at December 31, 2011, the Company has no assigned personnel.

No remuneration was paid to Supervisory Board members. The Executive Director nominated by EIF was not remunerated either, while the Executive Director nominated by the Ministry of Finance and the Ministry of Economy was paid a monthly gross salary of EUR 2,500, beginning from his appointment in June.

The Executive Directors of the Company:

- do not acquire and hold the Company shares;
- do not participate in any companies as unlimited liability partners;
- do not hold over 25 per cent of the equity in any other company;
- had not entered into a contract with the Company that goes beyond its usual business

The Executive Directors do not participate in the management of other companies or cooperatives as procurators, managers or board members.

Management responsibilities

According to the Slovak accounting legislation, the management of the Company is responsible for the preparation and fair presentation of the Company's financial statements.

The management of the Company hereby confirms the consistent application of an adequate accounting policy and observation of the general accounting principles in the preparation of the financial statements as at the end of the reporting period.

The management of the Company also confirms the financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Robin Vaudrey
Executive Director

Bratislava, 27 March 2012

Peter Žitný
Executive Director

Bratislava, 27 March 2012



KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

Independent Auditors' Report

To the Owners, the Supervisory Board and the Executive Directors of Slovenský záručný a rozvojový fond, s. r. o.:

We have audited the accompanying financial statements on pages 10-26 of Slovenský záručný a rozvojový fond, s. r. o. ("the Company"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. .

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

27 March 2012
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:
Dagmar Lukovičová
License SKAU No. 754

Responsible audit partner:
Theo van Eeden

Slovenský záručný a rozvojový fond, s. r. o.

Statement of financial position

For the year ended 31 December 2011
(in EUR)

	Notes	2011 EUR	2010 EUR
ASSETS			
Current assets			
Cash and cash equivalents	5	98 553 550	4 921
Other assets	6	196	-
Total current assets		98 553 746	4 921
Non-current assets			
Deferred Tax Assets	7	620 926	-
Total non-current assets		620 926	-
Total Assets		99 174 672	4 921
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Other liabilities	8	822 834	18 483
Total current liabilities		822 834	18 483
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		822 834	18 483
Equity	9		
Share capital		100 176 361	5 000
Retained Earnings		(18 562)	(21)
Profit or loss for the financial period		(1 805 961)	(18 541)
Total equity		98 351 838	(13 562)
Total Liabilities and equity		99 174 672	4 921

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Slovenský záručný a rozvojový fond, s. r. o.

Statement of comprehensive income

For the year ended 31 December 2011

(in EUR)

	Notes	2011 EUR	2010 EUR
Continuing operations			
Finance income	10	934 697	2
Initial costs	11,2	(593 532)	-
Management fees	11,2	(2 466 249)	-
Audit, tax and legal fees	12	(128 394)	-
Administration fees	13	(22 036)	(18 483)
Other operating expenses	14	(39 722)	(60)
Profit/Loss before tax		(2 315 236)	(18 541)
Income tax expense	15	509 275	-
Profit/Loss from continuing operations		(1 805 961)	(18 541)
Discontinuing operations			
Profit/Loss from discontinued operations		-	-
Profit/Loss for the period		(1 805 961)	(18 541)
Other comprehensive income		-	-
Total comprehensive income for the period		(1 805 961)	(18 541)

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Slovenský záručný a rozvojový fond, s. r. o.

Statement of changes in equity

For the year ended 31 December 2011

(in EUR)

	Notes	Share capital	Retained earnings	Profit/Loss for the year	Total equity
Balance as at January 1, 2010		5 000		(21)	4 979
Share Capital Increase					-
Distribution of net income/loss			(21)	21	-
Total comprehensive income for the period				(18 541)	(18 541)
Balance as at December 31, 2010	7	5 000	(21)	(18 541)	(13 562)
Balance as at January 1, 2011		5 000	(21)	(18 541)	(13 562)
Share Capital Increase		100 171 361			100 171 361
Distribution of net income/loss			(18 541)	18 541	-
Total comprehensive income for the period				(1 805 961)	(1 805 961)
Balance as of December 31, 2011	7	100 176 361	(18 562)	(1 805 961)	98 351 838

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Slovenský záručný a rozvojový fond, s. r. o.

Statement of cash flows

For the year ended 31 December 2011

(in EUR)

	Notes	2011	2010
Cash flows from operating activities			
Profit/Loss before income tax		(2,315,236)	(18,541)
Adjustments for:			
Interests income		(934,697)	
Changes in:			
Changes in prepayments		(196)	
Change in other liabilities		804,351	18,483
Cash flow generated from operating activities		(2,445,778)	(58)
Income tax paid		(38,159)	-
Net cash flow from operating activities		(2,483,937)	(58)
 Cash flows from investing activities			
Interests received		547,898	-
Net cash flows from investing activities		547,898	-
 Cash flows from financing activities			
Proceed from issue of share capital	7	100,171,361	-
Net cash flows from financing activities		100,171,361	-
 Net increase in cash and cash equivalents		98,235,322	(58)
 Cash and cash equivalents at the beginning of the year		4,921	4,979
 Cash and cash equivalents at the end of the year	5	98,240,243	4,921

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements

For the year ended 31 December 2011

1 General

Slovenský záručný a rozvojový fond, s. r. o. (the “Company”) is a limited liability company established on March 10, 2009 in the context of the initiative “Joint European Resources for Micro to Medium Enterprises” (“JEREMIE”), with a seat and address of management. JEREMIE was jointly developed in 2006 by the European Commission and the European Investment Bank group. Through this initiative, a portion of the European Union Structural Funds allocations from the budgetary period 2007 – 2013 is earmarked to support SMEs through financial intermediaries operating in the Member States of the European Union (“EU”), by the means of venture capital funds, guarantee funds and loan funds. All the funds to be distributed and applied in the course of JEREMIE shall be made available and used in accordance with article 44 of Council Regulation (EC) No 1083/2006 and the Commission Regulation (EC) No 1828/2006.

The Company is established on the basis of, and in performance of the obligations of European Investment Fund (“EIF”) under the Framework Agreement dated on 23 December 2008, and later amended on 28 April 2010, between EIF and the Government of the Slovak Republic. The Company is established as a part of the JEREMIE Holding Fund Structure (as defined in the Framework Agreement) for the purposes of implementing the JEREMIE Initiative in the Slovak Republic.

The principal activities of the Company are related to the implementation of the JEREMIE initiative in Slovakia, and mainly consist of:

- Entering into transactions with Financial Intermediaries and executing Operational Agreements as set out in clause 4.8 of the Framework Agreement for the purposes of implementing guarantee and loan schemes or investing in venture capital funds (subject always to conformity with the applicable Slovak law and EU regulations);
- Carrying out of the Holding Fund Activity (as defined in the Framework Agreement), which includes the use of financial engineering instruments (guarantees, loans or private equity investments) designated for enterprises, primarily small and medium-sized ones, as well as any other activities).

The financial year of the Company runs from 1 January to 31 December each year.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

2 Significant accounting policies

2.1 Basis of compliance

The financial statements of the Company have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on January 1, 2011 and have been accepted by the European Commission.

The Company's financial statements have been authorized for issue by the Supervisory Board on March 27, 2012.

2.2 Basis of preparation

2.2.1 Basis of measurement

The financial statements have been prepared on the historical costs basis.

2.2.2 Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the Fund's policies. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.2.3 Change in accounting policies and presentation

The accounting policies adopted have been applied consistently with those used in the previous year.

The Company has adopted the new and amended IFRS and IFRIC interpretation during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Fund. They did however give rise to additional disclosures.

2.2.4 Foreign currency translation

The Euro (EUR) is the functional and presentation currency.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

Transactions in foreign currencies are translated to the Company's functional currency as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank as at the date preceding the date of the accounting transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.4 Financial instruments

(i) *Financial assets*

The Company classifies its financial assets in the category 'loans and receivables', including cash and cash equivalents. The classification is predetermined by the nature and purpose of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the statement of financial position.

The Company usually recognizes its financial assets on the statement of financial position on the trade date, being the date on which the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognized from the Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognize the transferred asset in its statement of financial position but also recognizes a secured liability (a loan) for the consideration received.

As at December 31, 2011 the Company only held cash in EUR denominated accounts.

(ii) *Financial liabilities*

As at December 31, 2011 the Company does not have financial liabilities.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

(iii) *Impairment*

Impairment loss on a financial asset, reported at a depreciated value, is measured as the difference between the carrying value of the financial asset and the present value of estimated future cash flows discounted at the assets' original effective interest rate. Impairment loss is recognized in the Statement of Comprehensive Income and reflected in an allowance account against loans and receivables. Interest on the impaired asset is still recognized during the discount period. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through Statement of Comprehensive Income.

2.5 Accounts payable and accruals

Accounts payable and accruals are carried at original invoice amount (cost), being the fair value of the consideration to be paid in the future for goods and services received.

2.6 Interest income and dividend income

Interest income is recognized on a time-proportionate basis using the effective interest method and includes interest income from bank deposits.

Dividend income is recognized when the right to receive payment is established.

2.7 Operating expenses

Operating expenses are recognized in the statement of comprehensive income on an accrual basis.

2.8 Taxation

Income tax expense comprises current and deferred tax.

Current income taxes are determined in accordance with the requirements of the Slovakian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2011 is 19 %. Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years.

Deferred income taxes are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) as at the date of the transaction.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilized, with the exception of the differences arising from the initial recognition of an asset or liability, which has affected neither the accounting nor taxable profit or loss as at the date of the transaction.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

The carrying amount of all deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be utilized (deducted or compensated).

Deferred taxes, related to items that are other components of comprehensive income or are directly credited or charged to equity or other item of the statement of financial position, are also reported directly to the respective comprehensive income or equity component or item of the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset will be realized or the liability will be settled (paid), based on the tax laws that are enacted or to a high degree of probability will be enacted.

As at December 31, 2011 deferred tax asset is recognized for carry-forward of unused tax losses.

2.9 New standards and interpretations not adopted

The following IFRS and IFRIC interpretations applicable to EIF were issued but are not yet effective. The Fund has chosen not to early adopt these standards and interpretations. The Fund plans to adopt them at the date of endorsement by the European Union. The Fund is in the process of analyzing the impact of these standards on their operations as well as the date at which they plan to adopt the standards.

- Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

This standard is effective for annual periods beginning on or after 1 July 2011 to be applied prospectively. Earlier application is permitted. The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

The Company does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds

3 Financial risk management

As at December 31, 2011, the Company only held cash in EUR denominated accounts and is therefore exposed only to the credit risk from the financial institution.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

3.1 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

Cash balance with the Slovak State Treasury (the "State Treasury") and term deposit with Všeobecná úverová banka, a.s. are exposed to credit risk. As at 31 December 2011, the State Treasury had a rating of A+ according to Standard & Poor's and A1 according to Moody's. However since 31 December 2011, Standard & Poor's changed the rating from A+ to A in January and Moody's changed its rating from A1 to A2 in February 2012.

During the year the available cash has been used for the term deposits deals with Banque et Caisse d'Epargne de l'Etat de Luxembourg and Všeobecná úverová banka, a.s.

4 Financial assets and liabilities related to investments

As at December 31, 2011 the Company has no investments to report.

5 Cash and cash equivalents

Cash and cash equivalents comprise the following balances with original maturity of less than 90 days and are as follows:

	2011	2010
	EUR	EUR
Current bank accounts	1,801,220	4,921
Short term deposits	96,439,023	-
Interest receivable on term deposits	313,307	-
	98,553,550	4,921

6 Other assets

As at December 31, 2011, other assets are as follows:

	2011	2010
	EUR	EUR
Prepayments	196	-
	196	-

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

7 Deferred Tax Assets

As at December 31, 2011, deferred assets are as follows:

	2011 EUR	2010 EUR
Profit and Loss account before tax	2,315,236	18,541
Adjustments:		
Other penalties	-462	-
Interests income taxed	934,697	-
Tax loss current year	3,249,471	18,541
Tax loss previous years	18,562	21
Tax loss carried forward	3,268,033	18,562
Tax rate	19%	19%
Deferred tax asset from tax loss c/f	620,926	3,527
Deferred tax asset from tax loss c/f posted	620,926	-

8 Other liabilities

As at December 31, 2011, accounts payable and accruals are as follows:

	2011 EUR	2010 EUR
Fund management costs	751,763	-
Audit, tax and legal fees	60,833	-
Administration fees	6,468	18,483
Other operating expenses	3,770	-
	822,834	18,483

9 Equity

9.1 Capital

The Company was incorporated as a limited liability company.

On 12 January 2011 entered into the partnership a new shareholder – European Investment Fund, registered office Boulevard Konrad Adenauer 96, L-2968 Luxembourg, Luxembourg. At the same time the Company decided to increase the registered capital by EUR 68,406,655. Since 12 January 2011 the structure of shareholders had been as follows:

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

	Interest in share capital EUR	%	Voting rights %
Slovenská záručná a rozvojová banka, a.s.	5,000	0.01	99
European Investment Fund on behalf of Slovak Republic	68,406,655	99.99	1
Total	68,411,655	100	100

On 16 August 2011 the Company decided to increase the registered capital by EUR 31,764,706. Since 16 August 2011 the structure of shareholders has been as follows:

	Interest in share capital EUR	%	Voting rights %
Slovenská záručná a rozvojová banka, a.s.	5,000	0.00	99
European Investment Fund on behalf of Slovak Republic	100,171,361	100.00	1
Total	100,176,361	100	100

The Company has a statutory obligation to create a reserve fund. The minimum amount represents 5 % of the net profit. In the following years a profit should be allocated with this percentage to the reserve fund until its amount reaches 10% of the registered capital of the Company.

In accordance with the requirements of the Commercial Code, the amounts in the reserve fund can be used to cover annual loss or losses from previous years. The Executives shall decide on the use of the reserve fund in accordance with Section 67(1) of the Commercial Code.

As at 31 December 2011, the registered share capital of the Company amounts to EUR 100,176,361. SZRB owns the participation interest in the amount of EUR 5,000 interests on share capital and EIF owns the participation interest in the amount of EUR 100,171,361.

According to Art 10.2 of the Shareholders' Agreement, no later than on 31 December 2015 EIF shall transfer the EIF Participation Interest without consideration to an entity controlled by the Slovak Republic notified to EIF by SZRB.

9.2 Equity

	2011 EUR	2010 EUR
Share capital	100,176,361	5,000
Retained earnings	-18,562	-21
Profit/Loss for the current period	-1,805,961	-18,541
	98,351,838	-13,562

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

10 Finance income

The Company has earned interest income from its cash in bank accounts and term deposit transactions amounting to EUR 934,697 (2010 : EUR 2).

11 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

11.1 Related Party

EIF owns 100% of its shares in the Company on behalf and for the benefit of the Slovak Republic.

11.2 Transactions

Initial costs

EIF has incurred the costs related to the setting up of the Company and JEREMIE initiative (the “Initial Costs”).

As per Art 4.10 of the Framework Agreement and Art 8.2 of the Holding Fund Agreement, EIF is entitled to receive from the Company the reasonably evidenced Initial Costs for the period from the signature of the Framework Agreement (i.e. 23 December 2008) until the signature of the Funding Agreements (i.e. 28 October 2009). These Initial Costs have been re-invoiced by EIF to the Company and are deemed to be eligible expenditure, provided that the Initial Costs shall also be subject to the threshold set out in Article 43 (4) of the Implementing Regulation.

For the period from January 1, 2011 to December 31, 2011, EIF received an amount of EUR 593,532 in relation to Initial Costs and other costs incurred by EIF prior to capitalisation of the SPV.

Management fees

Pursuant to Art 8.3 of the Holding Fund Agreement between SZRF s.r.o. and EIF, EIF is entitled to receive an annual flat fee (the “Management Fees”).

For the period from 1 January 2011 to 31 December 2011, Management Fees totalled EUR 2,466,249. As at 31 December 2011, the total amount of EUR 751,763 is still due to EIF.

11.3 Key management remuneration

Peter Žitný, as one of the Executive Directors, has received a monthly remuneration from the Company at a gross amount of EUR 2,500, beginning from the month of his appointment in June. The total amount of expenses regarding the remuneration of Mr Žitný is presented in the section 14 – Other operating expenses. Robin Vaudrey, as the other Executive Director, does not receive any remuneration from the Company.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

12 Audit, tax and legal fees

As at 31 December 2011 audit, tax and legal fees are as follows:

	2011	2010
	EUR	EUR
Audit fees including related services	11,400	-
Tax advisors fees	19,560	-
Legal fees	97,434	-
	128,394	-

13 Administration fees

As at 31 December 2011, administration fee related to the services rendered under Services Agreement, the Company pays to TMF Services Slovakia s.r.o. a fixed annual fee of EUR 17,300 (excluding VAT) which is revised yearly on the basis of the development of the harmonized index of consumer prices.

14 Other operating expenses

As at 31 December 2011, other operating expenses are as follows:

	2011	2010
	EUR	EUR
Executive remuneration	23,389	-
Others	16,333	60
	39,722	60

15 Taxation

As per the annual tax return for year 2011, the determined tax loss amounts to EUR amount and therefore, no current income taxes (rate 19%) are due by the Company. During the year the withholding tax from interests received in the rate 19% has been paid in the amount of EUR 38,159. The withholding tax has been accrued to the accrued interests at the year end in the amount of EUR 73,492. As at 31 December 2011 and due to tax losses, the Company recognized a deferred tax asset amounting to EUR 620,926.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

16 Statement of financial position and Statement of comprehensive income per source of funding

Pursuant to Art 7.7 of the Holding Fund Agreement between SZRF s.r.o. and EIF, EIF should follow the Holding Fund Activity per source of funding.

The Statement of financial position and Statement of comprehensive income have been prepared for following sources of funding:

SF1 – Operation Programme Research and Development

SF2 – Operation Programme Competitiveness & Economic Growth

SF3 – Operation Programme Bratislava Region

SZRB - transactions are not attributable to the funds.

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

16.1 Statement of financial position per source of funding

	2011 EUR	SF1 EUR	SF2 EUR	SF3 EUR	SZRB EUR
ASSETS					
Current assets					
Cash and cash equivalents	98,553,549	29,071,406	65,988,795	3,488,485	4,863
Other assets	197	58	132	7	0
Total current assets	98,553,746	29,071,464	65,988,927	3,488,492	4,863
Non-current assets					
Deferred Tax Assets	620,926	182,613	416,365	21,922	26
Total non-current assets	620,926	182,613	416,365	21,922	26
Total Assets	99,174,672	29,254,077	66,405,292	3,510,414	4,889
EQUITY AND LIABILITIES					
Liabilities					
Current liabilities					
Other liabilities	822,834	241,857	551,479	29,036	462
Total current liabilities	822,834	241,857	551,479	29,036	462
Non-current liabilities					
Total non-current liabilities	-	-	-	-	-
Total liabilities	822,834	241,857	551,479	29,036	462
Equity					
Share capital	100,176,361	29,485,882	67,147,227	3,538,252	5,000
Retained Earnings	(18,562)	(5,436)	-12,395	-652	-79
Profit or loss for the financial period	(1,805,961)	(468,226)	-1,281,019	-56,222	-494
Total equity	98,351,838	29,012,220	65,853,813	3,481,378	4,427
Total Liabilities and equity	99,174,672	29,254,077	66,405,292	3,510,414	4,889

Slovenský záručný a rozvojový fond, s. r. o.

Notes to the financial statements (Continued)

For the year ended 31 December 2011

16.2 Statement of comprehensive income per source of funding

	EUR	SF1 EUR	SF 2 EUR	SF 3 EUR	SZRB EUR
Continuing operations					
Finance income	934 697	340 928	552 857	40 910	2
Initial costs	-593 532	-174 570	-398 016	-20 946	-
Management fees	-2 466 249	-725 358	-1 653 849	-87 042	-
Audit, tax and legal fees	-128 394	-37 759	-86 097	-4 538	-
Administration fees	-22 036	-6 481	-14 777	-778	-
Other operating expenses	-39 722	-11 517	-26 261	-1 422	-522
Profit/Loss before tax	-2 315 236	-614 757	-1 626 143	-73 816	-520
Income tax expense	509 275	146 532	345 124	17 593	26
Profit/Loss from continuing operations	-1 805 961	-468 225	-1 281 019	-56 223	-494
Discontinuing operations					
Profit/Loss from discontinued operations	-	-	-	-	-
Profit/Loss for the period	-1 805 961	-468 225	-1 281 019	-56 223	-494
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-1 805 961	-468 225	-1 281 019	-56 223	-494

17 Subsequent events

No subsequent event which would need to be disclosed in the financial statements of the Company has occurred since the statement of financial position date.