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

Audited annual report for the year ended 31 December 2013

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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 21 March 2009)
Ing. Juraj Beňo (appointed on 19 September 2012)

Supervisory board

Mário Virčík (Chairman)
Appointed on: 06 May 2013

Adriana Ďurináková
Appointed on: 06 May 2013

Ing. Ivan Gránsky
Appointed on: 06 May 2013

Roderik Klinda
Appointed on: 06 May 2013

Jozef Roško
Appointed on: 16 December 2013

JUDr. Simona Stahovcová (Deputy Chairman)
Appointed on: 19 September 2012

Ing. Diana Turkovičová
Appointed on: 19 September 2012

Ing. Peter Habo
Appointed on: 19 September 2012

Ing. Marek Balážik
Appointed on: 03 December 2012

Mário Virčík
Appointed on: 03 March 2011, Terminated on: 03 March 2013

Adriana Ďurináková
Appointed on: 03 March 2011, Terminated on: 03 March 2013

Ing. Juraj Juhász
Appointed on: 03 March 2011, Terminated on: 03 March 2013

Ing. Juraj Juhász
Appointed on: 06 May 2013, Terminated on: 16 December 2013

Ing. Ivan Gránsky
Appointed on: 03 March 2011, Terminated on: 03 March 2013

Roderik Klinda
Appointed on: 03 March 2011, Terminated on: 03 March 2013

Banks

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

Štátna pokladnica
Radlinského 32
810 05 Bratislava 15
Slovak Republic

Treasury banks

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

Exportno-importná banka Slovenskej republiky (EXIMBANKA SR)
Grösslingová 1
813 50 Bratislava
Slovak Republic

Administrative Agent

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

Auditor

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

Legal advisor

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

Tax Advisor

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

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

Executive Directors' report

For the period from January 1, 2013 to December 31, 2013

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 Slovak Republic 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 1083[1]. 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 2010 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.

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[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.

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 three product types:

- equity financing through fund structures,
- debt financing through portfolio guarantees, and
- portfolio risk-sharing loan instrument.

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 45 million will be made into companies with high growth potential by specialised fund managers active in venture capital. The guarantee product is expected to result in at least EUR 245 million of new lending to SMEs on preferential terms through SME loan portfolio guarantees offered to financial intermediaries. The third product involves a loan from the JEREMIE Holding Fund to a Financial Intermediary to co-finance a new portfolio of eligible SME loans, combined with credit risk sharing of the portfolio on a loan-by-loan basis.

With regards to the investment strategy outlined above, the following allocations to transactions result from calls for expressions of interest published by EIF in the course of 2011-13 under the JEREMIE initiative in Slovakia:

INSTRUMENT	JEREMIE Allocation	Leverage Portfolio
First Loss Portfolio Guarantee	EUR 42.9m	EUR 245m
Risk Capital fund investments	EUR 31.0m	EUR 45m
Portfolio risk sharing loan	EUR 8.3m	EUR 16.6m
Total	**EUR 82.2m**	**EUR 306.6m**

Overview and analysis of the Company's activities in 2013

The Company did not undertake any activities in 2013 other than the implementation activity above.

Structure of the Company's share capital

At 31 December, 2013, 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 2013:

On February 28th 2014, the Company signed a subscription commitment for a total of EUR 17.9m to the capital of a Luxembourg-based SICAR, being a fund vehicle for equity investments into Slovak SMEs, to be managed by Neulogy Ventures.

Credit risk
As at 31 December, 2013, 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.

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

Management

The Company has a two-tier management system with two Executive Directors who as at 31 December, 2013 were: Robin Vaudrey and Juraj Beňo and a 9 Members of 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 31 December, 2013, 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 2,587.50.

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, 25 March 2014

Juraj Beňo
Executive Director

Bratislava, 25 March 2014

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 financial statements presented on pages 10-31 of accompanying annual report of Slovenský záručný a rozvojový fond, s. r. o. ("the Company"), which comprise the statement of financial position as at 31 December 2013, 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 these financial statements 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 2013, 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.

25 March 2014
Bratislava, Slovak Republic

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

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Responsible auditor:
Dagmar Lukovičová
License SKAU No. 754

Responsible audit partner:
Theo van Eeden

Statement of financial position

For the year ended 31 December 2013
(in EUR)

	Notes	2013 EUR	2012 EUR
ASSETS			
Current assets			
Cash and cash equivalents	5	95,968,239	97,398,417
Receivables and other assets	6	44,288	203
Total current assets		**96,012,527**	**97,398,620**
Total Assets		**96,012,527**	**97,398,620**
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Other liabilities	8	811,007	775,297
Provisions for financial guarantees	9	853,303	-
Total current liabilities		**1,664,310**	**775,297**
Total liabilities		**1,664,310**	**775,297**
Equity	10		
Share capital		100,176,361	100,176,361
Retained Earnings		(3,553,038)	(1,824,523)
Loss for the financial year		(2,275,106)	(1,728,515)
Total equity		**94,348,217**	**96,623,323**
Total Liabilities and equity		**96,012,527**	**97,398,620**

R Vaudrey

Robin Vaudrey
Executive Director

Bratislava, 25 March 2014

Juraj Beňo
Executive Director

Bratislava, 25 March 2014

The accompanying notes on pages 14 to 31 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2013
(in EUR)

	Notes	2013 EUR	2012 EUR
Finance income	11	225,878	645,021
Guarantee income	11	58,141	-
Management fees	12	(1,422,868)	(1,447,927)
Audit, tax and legal fees	13	(138,540)	(103,173)
Administration fees	14	(22,953)	(22,920)
Other operating expenses	15	(78,545)	(56,036)
Net change in provisions for financial guarantees	9	(853,303)	-
Loss before tax		**(2,232,190)**	**(985,035)**
Income tax expense	16	**(42,916)**	**(743,480)**
Loss for the financial year		**(2,275,106)**	**(1,728,515)**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**(2,275,106)**	**(1,728,515)**

Robin Vaudrey
Executive Director

Bratislava, 25 March 2014

Juraj Beňo
Executive Director

Bratislava, 25 March 2014

The accompanying notes on pages 14 to 31 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2013
(in EUR)

	Notes	Share capital	Retained earnings	Profit/(Loss) for the year	Total equity
Balance as at 1 January, 2012		100,176,361	(18,562)	(1,805,961)	98,351,838
Distribution of net income/(loss)		-	(1,805,961)	1,805,961	-
Total comprehensive income/(loss) for the financial year		-	-	(1,728,515)	(1,728,515)
Balance as at 31 December, 2012	10	**100,176,361**	**(1,824,523)**	**(1,728,515)**	**96,623,323**
Balance as at January 1, 2013		100,176,361	(1,824,523)	(1,728,515)	96,623,323
Distribution of net income/(loss)		-	(1,728,515)	1,728,515	-
Total comprehensive income/(loss) for the financial year		-	-	(2,275,106)	(2,275,106)
Balance as at 31 December, 2013	10	**100,176,361**	**(3,553,038)**	**(2,275,106)**	**94,348,217**

The accompanying notes on pages 14 to 31 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2013
(in EUR)

	Notes	2013	2012
Cash flows from operating activities			
Profit/(Loss) before income tax		(2,232,190)	(985,035)
Adjustments for:			
Interests income		(225,878)	(645,021)
Guarantee fee income		(58,141)	
Changes in:			
Changes in other assets		-	(7)
Change in other liabilities		35,710	(47,537)
Change in provisions for financial guarantees		853,303	-
Cash flow generated from operating activities		**(1,627,196)**	**(1,677,600)**
Income tax paid		(41,816)	(193,898)
Net cash flow from operating activities		**(1,669,012)**	**(1,871,498)**
Cash flows from investing activities			
Interests received		220,087	1,020,520
Guarantee fees received		14,056	-
Net cash flows from investing activities		**234,143**	**1,020,520**
Cash flows from financing activities			
Proceed from issue of share capital		-	-
Net cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		**(1,434,869)**	**(850,978)**
Cash and cash equivalents at the beginning of the year		**97,389,265**	**98,240,243**
Cash and cash equivalents at the end of the year	5	**95,954,396**	**97,389,265**

The accompanying notes on pages 14 to 31 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2013

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 and on 12 January 2011, 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.

2 Significant accounting policies

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 1 January , 2013 and have been accepted by the European Commission.

The Company's financial statements for the year ended 31 December 2013 have been authorized for issue by the Supervisory Board on 25 March 2014.

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 9.

Judgments and estimates are principally made in:
- the determination of provisions for financial guarantees as described in the note relating to the accounting treatment of the financial guarantees.

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 Company.

2.2.4 Foreign currency translation

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

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.

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.

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.

Standard IFRS 13 Fair Value Measurement adopted by the EU on 11 December 2012 (in force as from the beginning of the first financial year starting on or after 1 January 2013). It does not change when an entity should use fair value, but rather prescribes how the entity, in compliance with this standard, should use fair value in situations when it is necessary or possible to use fair value. The application of this standard has no impact on the financial situation of profit or loss of the Company. The definition of the Fair Value according to IFRS reads as follows: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 31 December, 2013 the Company only held cash in EUR denominated accounts.

(ii) Financial liabilities

As at 31 December, 2013 the Company does not have financial liabilities.

(iii) Impairment

Impairment loss on a financial asset, reported at amortized costs, 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.

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.

Provisions for financial guarantees

According to the accounting principles adopted by the Company, a provision in relation to First Loss Portfolio Guarantees ("FLPG") should be established on the face of the balance sheet when the following three conditions are met: a present obligation exists as a result of a past event, the probability of an outflow of benefits is higher than the probability that it will not and a reliable estimate is possible.

FLPG is a financial guarantee where EIF, on behalf of the Company, issues a guarantee to the benefit of a Financial Intermediary ("FI") to reimburse the FI for a portion of the actual loss it incurs due to a loss of principal and/or accrued interest as a result of default of loans covered by the FLPG. The FLPG is effective from the signing date of the loans included in the portfolio. The guarantee does not cover losses on loans originated before the FLPG inclusion period. Under the FLPG, the FI can include SME loans in the portfolio up until the end of the Inclusion Period. The cumulative losses of the Company per Financial Intermediary, although linked to the guarantee volume are limited by a maximum amount, called the Guarantee Cap amount. The Guarantee Cap amount is the maximum aggregate net amount which EIF may be liable to pay under the guarantee agreement to financial intermediaries recorded upon the signature of a new guarantee agreement.

Provisions are based on the actual guarantee cap rate of the amounts included in the portfolio until the end of the inclusion period and to the expected loss amount of the build up portfolio after the inclusion period. Provisions are accounted for in the profit and loss account under "Change in provisions for guarantees" and added to the appropriate liability item on the balance sheet.

Due to the first loss piece nature of the FLPG, the so created provision is not amortised due to the repayments of the underlying SME loans' principal. However the value of the FLPG provision is reviewed annually based on the actual loss experience of the portfolio in time.

Interest income and guarantee income

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

The periodic guarantee fee is collected systematically from each and every SME transaction included in the portfolio covered by FLPG calculated as the product of the quarterly guarantee fee percentage; the average outstanding principal amount of all SME loans included in the portfolio, on each day during the relevant quarter and the guarantee rate.

Periodic guarantee fees are recognized as income in the profit and loss in the period it relates to.

Operating expenses

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

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 2013 is 23 %. 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.

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.

New standards and interpretations not adopted

The following IFRS and IFRIC interpretations applicable to the Company were issued but are not yet effective. The Company has chosen not to early adopt these standards and interpretations. The Company plans to adopt them at the date of endorsement by the European Union.

- IFRS 9 – Financial instruments:
  This standard is the first step in a three-part project by the IASB to replace IAS 39 financial instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for financial years beginning on or after 1 January 2015, although it may be early adopted. The date of the adoption of this standard by the Fund will also be dependent on the timing of the EU endorsement process.

  The Company is in the process of analysing the impact of this standard on their operations as well as the date at which they plan to adopt the standard.

3 Financial risk management

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.

Financial guarantees issued by EIF on behalf of the Company

As at 31 December 2013, EIF has issued guarantees on behalf of the Company with 4 financial intermediaries. At the beginning of 2013 JEREMIE Slovakia reviewed the performance of the financial intermediaries under the First Loss Portfolio Guarantee Instrument and decided to adjust the agreed portfolio volumes with them.

As at 31 December 2013, the Company has a pledged amount of EUR 43 million in the context of guarantees issued by EIF on behalf of the Company.

Treasury

Cash balance with the Slovak State Treasury (the "State Treasury") and Tatrabanka and term deposit with Všeobecná úverová banka, a.s. and Eximbanka SR are exposed to credit risk. As at 31 December 2013, the State Treasury had a rating of A according to Standard & Poor's (2012: A) and A2 according to Moody's (2012: A2). As at 31 December 2013, Tatrabanka had a rating of A3 according to Moody's (2012: A3). As at 31 December 2013, Všeobecná úverová banka had a rating of A3 accroding to Moody's (2012: A3). As at 31 December 2013, Eximbanka SR had a rating of A/A-1 according to Standard & Poor´s (2012: not available).

During the year the available cash has been used for the term deposits deals with Všeobecná úverová banka, a.s and Eximbanka SR .

Maximum exposure to credit risk

The exposure to credit risk relating to the financial assets recognised in the statement of financial position is as follows:

	2013	2012
Cash and cash equivalents	95,968,239	97,398,417
Receivables and other assets	44,288	203
	96,012,527	**97,398,620**

The exposure to credit risk relating to contingent liabilities and commitments reported off-balance sheet is as follows:

	2013	2012
Financial guarantees issued by EIF on behalf of the Company	42,980,000	-
	42,980,000	**-**
Maximum exposure to credit risk	**138,992,527**	**97,398,620**

3.2 Market risk

3.2.1 Pricing risk

The Company is not exposed to any pricing risk.

3.2.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's interest rate risk arises mainly from cash and cash equivalent positions /term deposits/ as the return on cash balances is influenced by the changes in interest rates.

The Company is mainly exposed to interest rate risk through its cash and cash equivalents, which have a maturity less than 3 months.

3.2.3 Foreign currency risk

The Company is not exposed to any foreign currency risk.

3.2.4 Liquidity risk

The table below presents the financial non-derivative assets and liabilities of the Company, grouped by remaining term to maturity, determined against the contractual maturity at the end of the reporting period. The table is prepared on the basis of agreed undiscounted cash flows and the earliest date on which the receivable and respectively, the payable become due for payment. The amounts include principal and interest.

December 31, 2013	*at sight*	*up to 1 month*	*1-3 months*	*3-12 months*	*over 12 months*	*Total*
	EUR	*EUR*	*EUR*	*EUR*	*EUR*	*EUR*
Financial assets						
Cash and cash equivalents	12,388,453	40,599,786	980,000	42,000,000	-	95,968,239
Other assets	-	44,085	-	-	-	44,085
Financial assets	**12,388,453**	**40,643,871**	**980,000**	**42,000,000**	**-**	**96,012,324**
Financial liabilities						
Accounts payable	-	811,007	-	-	-	811,007
Financial liabilities	**-**	**811,007**	**-**	**-**	**-**	**811,007**
Contingent liabilities and commitments	**-**	**-**	**980,000**	**42,000,000**	**-**	**42,980,000**

December 31, 2012	*at sight*	*up to 1 month*	*1-3 months*	*3-12 months*	*over 12 months*	*Total*
	EUR	*EUR*	*EUR*	*EUR*	*EUR*	*EUR*
Financial assets						
Cash and cash equivalents	20,514,969	30,450,000	46,424,296	-	-	97,389,265
Other assets	-	-	-	-	-	-
Financial assets	**20,514,969**	**30,450,000**	**46,424,296**	**-**	**-**	**97,389,265**
Financial liabilities						
Accounts payable	288	775,009	-	-	-	775,297
Financial liabilities	**288**	**775,009**	**-**	**-**	**-**	**775,297**

4 Financial assets and liabilities related to investments

As at 31 December, 2013 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:

	2013 EUR	2012 EUR
Current bank accounts	12,388,453	20,514,969
Short term deposits	83,565,943	76,874,296
Interest receivable on term deposits	13,843	9,152
	95,968,239	**97,398,417**

6 Receivables and other assets

As at 31 December 2013, receivables and other assets are mainly composed of receivable on periodic guarantee fees in the amount of EUR 44,085 (2012:0).

As at 31 December, 2013 and 2012, other assets are composed only of prepayments.

7 Deferred Tax Assets

The Company does not recognize a deferred tax asset since it is not probable that future taxable profits will be available against which the deferred tax can be utilized.
The deferred tax assets have been calculated using a corporate income tax rate of 22% valid since 1 January 2014 (in 2012: 23%). The change in corporate income tax rate from 23% to 22% has been approved by the Government of Slovak republic effective from 1 January 2014. The amount of unused tax losses for which no deferred tax asset is recognized in the statement of financial position amounts to EUR 6,155,688 (2012: EUR 4,551,033).

8 Other liabilities

As at 31 December, 2013, other liabilities are as follows:

	2013 EUR	2012 EUR
Fund management costs	714,161	724,871
Audit, tax and legal fees	83,702	41,757
Administration fees	5,370	5,370
Other operating expenses	7,774	3,299
	811,007	**775,297**

9 Provisions for financial guarantees

As at December 31, 2013 the provision in respect of the guarantees portfolio is at the amount of EUR 853,303. The Company calculated the provision based on the actual guarantee cap amount.

No guarantee calls were paid during the year.

FLPG Provision	2013
	EUR
Balance at January 1	-
Additions	853,303
Utilised	-
Balance at December 31	**853 ,303**

10 Equity

The share capital of the Company amounts to EUR 100,176,361 and confers voting rights as follows:

	Interest in share capital		Voting rights
	EUR	%	%
Slovenská záručná a rozvojová banka, a.s.	5,000	0.01	99
European Investment Fund on behalf of Slovak Republic	100,171,361	99.99	1
Total	**100,176,361**	**100**	**100**

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

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

11 Finance income and Guarantee income

The Company has earned interest income from cash in bank accounts and from term deposit accounts amounting to EUR 225,878 (2012: EUR 645,021).

The Company has earned guarantee income from the First Loss Portfolio Guarantees amounting to EUR 58,141 (2012: EUR 0).

12 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.

Related Party

EIF owns 99.99% of its shares in the Company on behalf and for the benefit of the Slovak Republic.

SZRB owns 0.01% of its shares in the Company with 99% of voting rights.

Transactions

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 2013 to 31 December 2013, Management Fees totalled EUR 1,422,868 (2012: EUR 1,447,927). As at 31 December 2013, the total amount of EUR 714 161 is still due to EIF. (As at 31 December 2012: EUR 724,871).

Legal fees

For the period from 1 January 2013 to 31 December 2013, Legal Fees totalled EUR 52,986 (2012: EUR 63,032). As at 31 December 2013, the total amount of EUR 0 is still due to EIF. (As at 31 December 2012: EUR 63,032).

Guarantee fees

For the period from 1 January 2013 to 31 December 2013, Guarantee fees totalled to EUR 30,408 (2012: EUR 0). The total amount of EUR 28,420 is still due by SZRB.

Key management remuneration

Juraj Beňo, who is in the position of Executive Director, has received monthly gross remuneration from the Company of EUR 2,588. The total amount of expenses regarding the remuneration of Mr Beňo is presented in the note 15 – Other operating expenses.

Robin Vaudrey, as the other Executive Director, does not receive remuneration from the Company.

13 Audit, tax and legal fees

As at 31 December 2013 audit, tax and legal fees are as follows:

	2013 EUR	2012 EUR
Audit fees including related services	13,476	11,477
Tax advisors fees	5,880	12,360
Legal fees	119,184	79,336
	138,540	**103,173**

14 Administration fees

As at 31 December 2013, administration fee are as follows:

	2013 EUR	2012 EUR
Accounting services	20,760	20,760
Payroll services	2,193	2,160
	22,953	**22,920**

15 Other operating expenses

As at 31 December 2013, other operating expenses are as follows:

	2013 EUR	2012 EUR
Executive remuneration	42,399	51,516
Marketing	1,303	3,086
Translations	5,677	1,211
Bank fees	28,954	101
Others	212	122
	78,545	**56,036**

16 Taxation

As per the annual income tax return for year 2013, the determined tax loss amounts to EUR 1,604,655 and therefore, no current income taxes (rate 23%) are due by the Company (2012: EUR 0).

During the year withholding tax on interests received at the rate of 19% has been posted in the amount of EUR 42,916 (withholding tax paid in the amount of EUR 41,816 less accrual from the year 2012 EUR 2,148 plus EUR 3,248 accrued at the year-end 2013). In the year 2012 withholding tax on interests received at the rate of 19% has been posted in the amount of

122,554 (withholding tax paid in the amount of EUR 193,898 less accrual from the year 2011 EUR 73,492 plus EUR 2,148 accrued at the year-end 2012).

	2013 EUR	2012 EUR
Deferred tax	-	620,926
Withholding tax	42,916	122,554
	42,916	**743,480**

17 Contingent liabilities and commitments

Contingent liabilities

The Company is a party in pledge agreement with EIF for the purpose of supporting EIF's obligations towards the financial intermediaries in relation to operations under the First Loss Portfolio Guarantee Instrument. EIF entered into the FLPG guarantee operations in its own name but on behalf and for the account of the Company. The agreements with Slovenská záručná a rozvojová banka, a.s.; Tatrabanka a.s.;, UniCredit bank a.s.; and Slovenská sporiteľňa a.s. will guarantee loans with total volume up to EUR 43 million.

As at 31 December 2013 the unrecognised portion of the global guarantee cap amount totalled to EUR 41,552,901.

In the context of guarantees operations issued by EIF on behalf of the Company, the Company pledged bank account in the amount of EUR 42,980,000.

18 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.

For the year ended 31 December 2013

18.1. Statement of financial position per source of funding for the year 2013

	2013 EUR	SF1 EUR	SF2 EUR	SF3 EUR	SZRB EUR
ASSETS					
Current assets					
Cash and cash equivalents	96,012,324	28,370,104	64,189,622	3,404,327	4,186
Receivables and other assets	203	60	44,221	7	-
Total current assets	**96,012,527**	**28,370,164**	**64,233,843**	**3,404,334**	**4,186**
Total Assets	**96,012,527**	**28,370,164**	**64,233,843**	**3,404,334**	**4,186**
EQUITY AND LIABILITIES					
Liabilities					
Current liabilities					
Other liabilities	811,007	231,957	551,208	27,842	-
Provisions for financial guarantees	853,303	-	853,303	-	-
Total current liabilities	**1,664,310**	**231,957**	**1,404,511**	**27,842**	-
Total liabilities	**1,664,310**	**231,957**	**1,404,511**	**27,842**	-
Equity					
Share capital	100,176,361	29,485,882	67,147,227	3,538,252	5,000
Retained Earnings	(3,553,038)	(952,297)	(2,485,712)	(114,330)	(699)
Loss for the financial year	(2,275,106)	(395,378)	(1,832,183)	(47,430)	(115)
Total equity	**94,348,217**	**28,138,207**	**62,829,332**	**3,376,492**	**4,186**
Total Liabilities and equity	**96,012,527**	**28,370,164**	**64,233,843**	**3,404,334**	**4,186**

18.2. Statement of financial position per source of funding for the year 2012

	2012 EUR	SF1 EUR	SF2 EUR	SF3 EUR	SZRB EUR
ASSETS					
Current assets					
Cash and cash equivalents	97,398,417	27,758,404	65,184,805	3,450,907	4,301
Receivables and other assets	203	60	136	7	-
Total current assets	**97,398,620**	**27,758,464**	**65,184,941**	**3,450,914**	**4,301**
Total Assets	**97,398,620**	**27,758,464**	**65,184,941**	**3,450,914**	**4,301**
EQUITY AND LIABILITIES					
Liabilities					
Current liabilities					
Other liabilities	775,297	228,015	519,913	27,369	-
Total current liabilities	**775,297**	**228,015**	**519,913**	**27,369**	-
Total liabilities	**775,297**	**228,015**	**519,913**	**27,369**	-
Equity					
Share capital	100,176,361	29,485,882	67,147,227	3,538,252	5,000
Retained Earnings	(1,824,523)	(473,662)	(1,293,414)	(56,874)	(573)
Loss for the financial year	(1,728,515)	(481,771)	(1,188,785)	(57,833)	(126)
Total equity	**96,623,323**	**28,530,449**	**64,665,028**	**3,423,545**	**4,301**
Total Liabilities and equity	**97,398,620**	**28,758,464**	**65,184,941**	**3,450,914**	**4,301**

18.3. Statement of comprehensive income per source of funding for the year 2013

	2013 EUR	SF1 EUR	SF 2 EUR	SF 3 EUR	SZRB EUR
Finance income	225,878	82,886	133,009	9,983	-
Guarantee income	58,141	-	58,141	-	-
Management fees	(1,422,868)	(418,466)	(954,175)	(50,227)	-
Audit, tax and legal fees	(138,540)	(22,723)	(113,088)	(2,729)	-
Administration fees	(22,953)	(6,751)	(15,392)	(810)	-
Other operating expenses	(78,545)	(14,576)	(62,104)	(1,750)	(115)
Net change in provision for financial guarantees	(853,303)	-	(853,303)	-	-
Loss before tax	**(2,232,190)**	**(379,630)**	**(1,806,912)**	**(45,533)**	**(115)**
Income tax expense	(42,916)	(15,748)	(25,271)	(1,897)	-
Profit/Loss for the period	**(2,275,106)**	**(395,378)**	**(1,832,183)**	**(47,430)**	**(115)**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**(2,275,106)**	**(395,378)**	**(1,832,183)**	**(47,430)**	**(115)**

18.4. Statement of comprehensive income per source of funding for the year 2012

	2012 EUR	SF1 EUR	SF 2 EUR	SF 3 EUR	SZRB EUR
Finance income	645,021	222,484	395,840	26,697	-
Management fees	(1,447,927)	(425,835)	(970,980)	(51,112)	-
Audit, tax and legal fees	(103,173)	(30,344)	(69,189)	(3,640)	-
Administration fees	(22,920)	(6,741)	(15,370)	(809)	-
Other operating expenses	(56,036)	(16,450)	(37,512)	(1,974)	(100)
Loss before tax	**(985,035)**	**(256,886)**	**(697,211)**	**(30,838)**	**(100)**
Income tax expense	(743,480)	(224,885)	(491,574)	(26,995)	(26)
Profit/Loss for the period	(1,728,515)	(481,771)	(1,188,785)	(57,833)	(126)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	(1,728,515)	(481,771)	(1,188,785)	(57,833)	(126)

19 Subsequent events

On 25 February 2014 an agreement on a portfolio risk sharing loan instrument was signed with Sberbank Slovensko, a. s. under the JEREMIE initiative for an amount of EUR 8.3m. The funds will be equally matched by the bank and intended mainly for investment instalment loans up to a maximum of EUR 350,000, with a maturity of 1-10 years, and may also cover overdrafts and revolving loans.

On 28 February 2014 an agreement for a capital commitment from SZRF under the risk capital instruments was signed with Neulogy Ventures, a.s. for a total commitment of EUR 17.9m. The risk capital instruments will take the form of both a seed fund and a venture capital fund, with the venture capital fund also raising a further EUR 5.5m from private investors.

Additionally, the Chairman of the Supervisory Board, Mário Virčík, was recalled and was replaced by Štefan Adamec on 28 February 2014.