

***The Estonian Rural  
Development Foundation***

*Annual Report  
For the Financial Year  
Ended 31 December 2012*

# **The Estonian Rural Development Foundation**

## **ANNUAL REPORT**

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Beginning of the financial year	1 January 2012
End of the financial year	31 December 2012
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# The Estonian Rural Development Foundation

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# **The Estonian Rural Development Foundation MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

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## **MANAGEMENT REPORT**

The Estonian Rural Development Foundation (hereinafter also referred as “the RDF” or “the Foundation”) may be considered to date back to 19 July 1993 when the Estonian Government decided to establish the Agriculture and Rural Life Credit Foundation. In 2001, the Agriculture and Rural Life Credit Foundation merged with the Rural Development Foundation. The funds of the merged foundation amounted to 33.2 million euros.

The Estonian Rural Development Foundation is a self-sufficient legal person in private law and since the above merger no state budget funds have been allocated to raise the Foundation’s capital.

The Foundation’s activities are aimed at supporting economic development in Estonian rural areas by implementing specific programmes to foster entrepreneurship in those areas. Applying the above mentioned programmes help expand the availability of financial resources, support balanced development in rural areas, disseminate information on rural life, support vocational education, and build the image of rural life.

The Estonian Rural Development Foundation operated in accordance with the aims and objectives and the budget for 2012 approved by the supervisory board.

The activities detailed in this management report are divided into the following six subgroups:

- 1) issuing credit and debt obligation guarantees
- 2) lending
- 3) building the image of rural life
- 4) performing tasks given by the state
- 5) development
- 6) personnel.

The Foundation ended the financial year with a profit amounted to 388 643 euros.

### **1. Issuing credit and debt obligation guarantees**

On issuing guarantees, the Foundation follows the Guarantee scheme. The Guarantee scheme is aimed at assuring small and medium-sized enterprises’ access to financial resources by providing support from a state foundation’s capital. The Guarantee scheme applies to all economic sectors including agriculture, fisheries and transportation.

In 2012, 301 guarantee agreements (2011: 340 agreements) with the total guarantee obligation of 28.5 million euros (2011: 32.1 million euros) were signed. With the benefit of guarantees, undertakings were able to borrow 47.7 million euros (2011: 53.7 million euros) from credit institutions. An average guarantee amounted to 94.7 thousand euros, increasing by 0.3% per annum. The share of the guarantee made averagely 59.7 per cent of the underlying loan (2011: 59.8%).

The Foundation’s guarantee portfolio amounted to 41.9 million euros as of 31 December 2012 (31.12.2011: 42.3 million euros). The carrying amount of loans guaranteed by the Foundation which amounted to 75.8 million euros remained almost unchanged (31.12.2011: 75.6 million euros). The ratio of the guarantee portfolio to the carrying amount of loans decreased slightly – from 56 per cent to 55.2 per cent.

The amounts allocated for guarantee obligations under guarantee agreements concluded in 2012 break down by business sector and by county as shown in figures.

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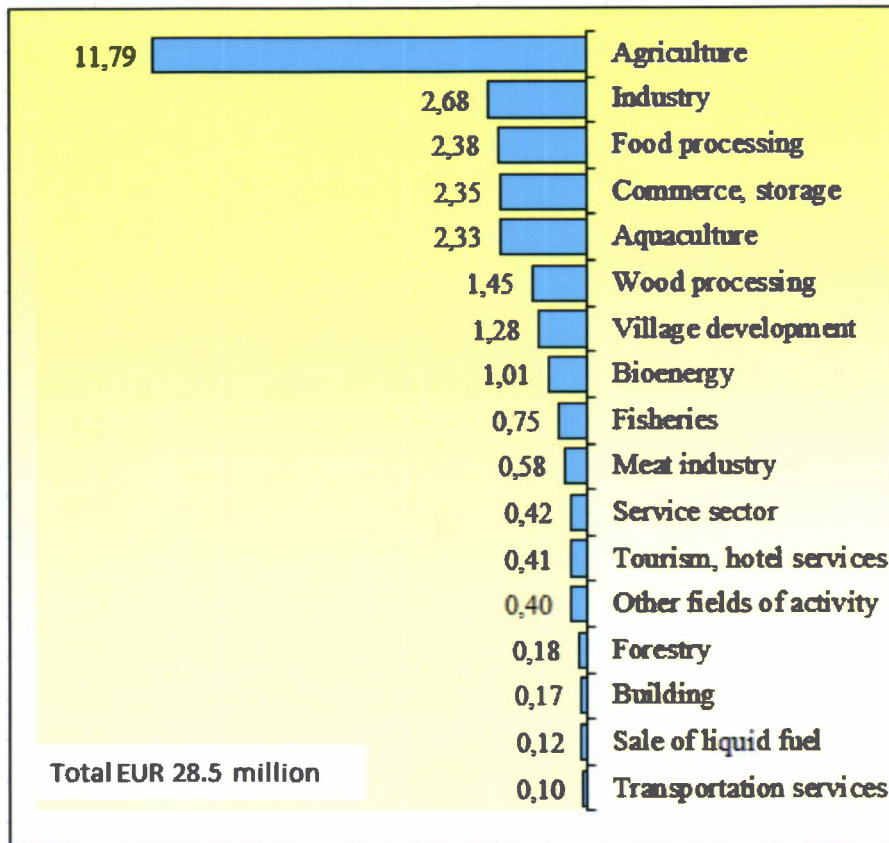


Figure 1. Guarantee obligations by business sector

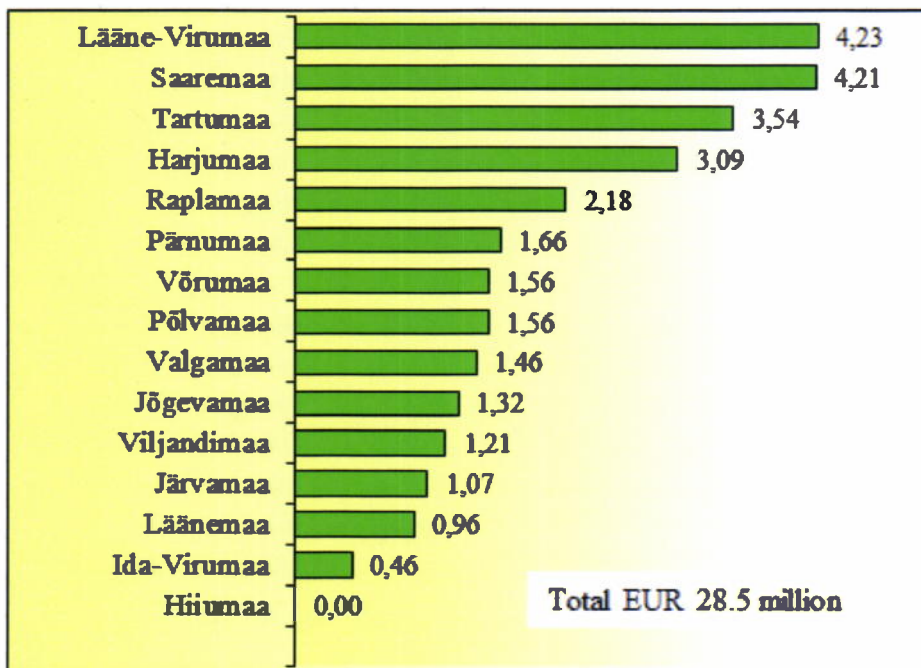


Figure 2. Guarantee obligations by county

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## 2. Lending

The RDF grants loans under the aid scheme (the European Commission (EC) Aid No 606/2007) that stipulates major terms and conditions for granting loans through credit institutions.

In monetary terms, in 2012 the volume of lending was lower than in 2011. 5.5 million euros was lent to 14 clients. In 2011, loans granted to 89 clients amounted to 11.3 million euros. The total loan portfolio of the Foundation decreased from 33.1 million euros to 30.4 million euros. The major loan product was loans granted through credit and financial institutions. 99% of loans were granted through banks. The Foundation's resources were mostly used for funding enterprises of the agriculture sector (3.3 million euros), food processing sector (1.8 million euros) and fisheries (0.5 million).

Direct loans to non-profit associations (NPAs) granted by the Foundation amounted to 46 000 euros. Operating expenses of only those NPAs were financed which are eligible for support within the framework of measure 4 (LEADER measure) of the Estonian Rural Development Plan 2007–2013 and measure 4.1 (Sustainable development of fisheries areas) provided in the operational programme 2007-2013 of the European Fisheries Fund (EFF) (see figure 4).

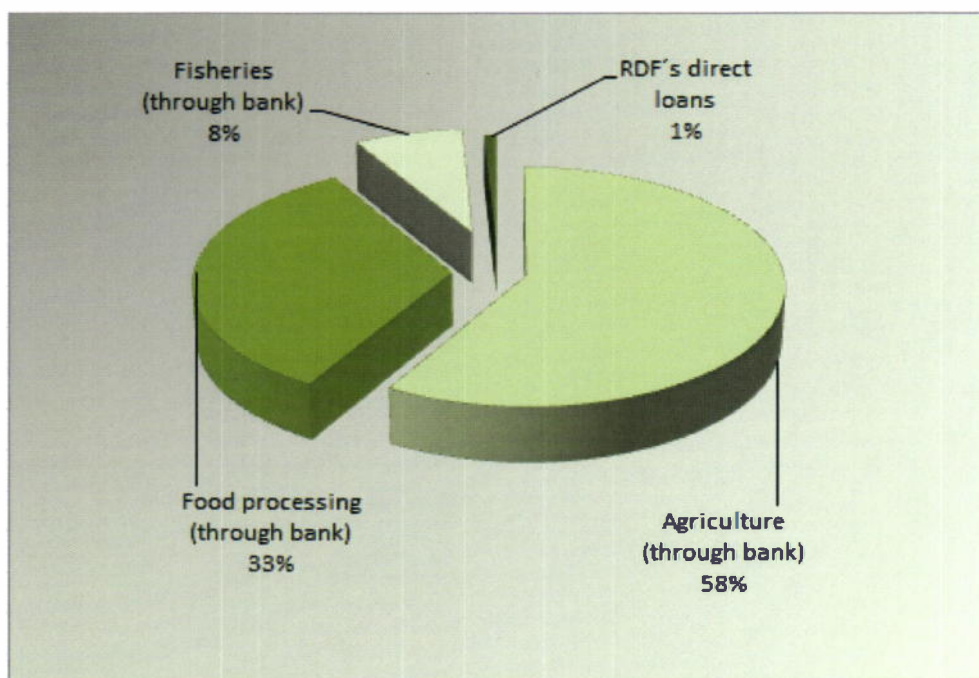


Figure 4. Loans granted by business sector

Figure 5 illustrates loans granted by the Foundation in 2012, broken down by county. The largest amount was granted to Pärnumaa, Lääne-Virumaa and Viljandimaa. No loans were granted to Jõgevamaa, Järvamaa, Läänemaa and Harjumaa.



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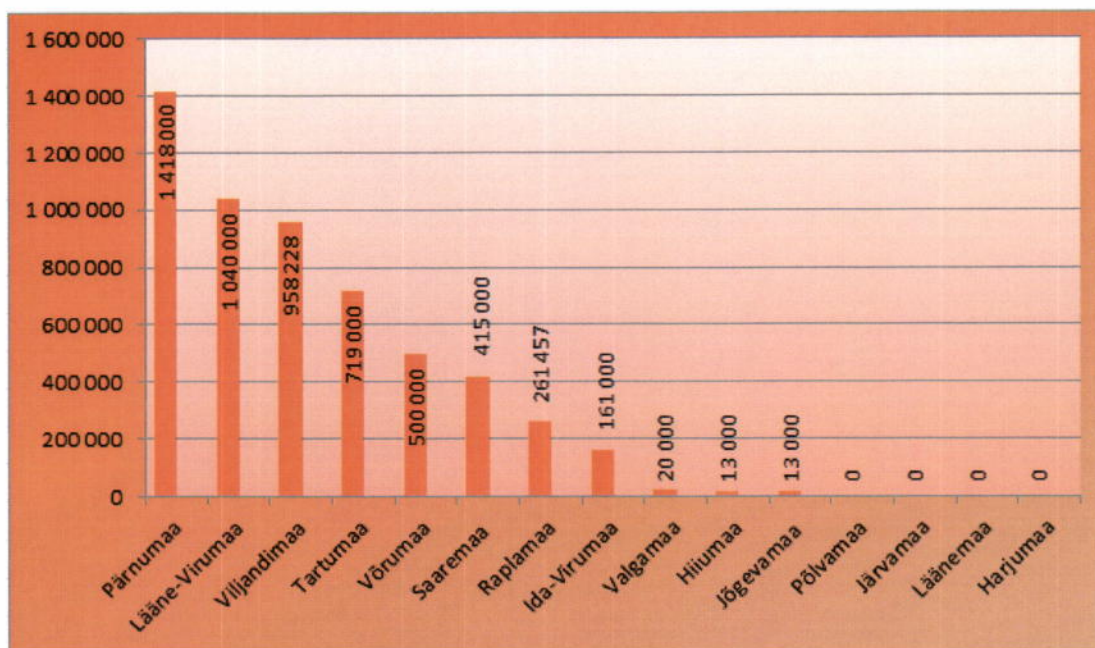


Figure 5. Loans granted by county

### 3. Building the image of rural life

In 2012 the Foundation provided learning support for students of rural vocational education institutions, recognised the best students and the best teacher of rural economics, and presented the Best Dairy Farmer's and the Best Beef Farmer's awards.

Since 2003, the Foundation has provided financial assistance to students of rural economics studying at vocational education institutions. The purpose of the student learning support is to attract students to vocational education and to provide rural undertakings with qualified labour. In 2012, agreements were concluded with 87 students of 8 vocational education establishments and the student allowances paid amounted to 1 015 511 euros. The amount of each student's allowance depends on his or her academic achievement and participation in studies. The total financial assistance to students provided by the RDF amounts to approximately 1.44 million euros. In 2012, funds for student allowances were allocated from the state budget of Ministry of Agriculture. In the state budget for 2013, 110 000 euros has been allocated for student allowances, agreements for granting student allowances are planned to be signed with a 100 students.

Two students of Estonian University of Life Sciences were paid a single allowance in the amount of 1 266 euros by RDF.

### 4. The RDF as an entity performing tasks given by the state

From the beginning of 2010, the RDF coordinates the system of agricultural and rural economy advisory services in Estonia. Activities (free advice for farmers, training and information days for advisors and local farmers organisations, practise development and support schemes for advisors) were funded from the state budget by 546 892 euros; including dissemination of the state and scientific information by 157 032 euros and availability of free advisory services by 70 080 euros.

RDF organised or participated 531 times in discussions on improvement of the system of agricultural and rural economy advisory services (information days, signatories to the Joint Operating Agreement, bilateral meetings) in order to achieve the goal of the advisory system.

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## **MANAGEMENT REPORT**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

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Due to different interest involved the participants did not agree on establishment of a single organisation for improvement of advisory services; and therefore RDF suggested that the all-Estonian advisory service could be established as a division of the Foundation. The issue will be addressed further during the next financial year in cooperation with agricultural organisations.

Since 2010 the Foundation participates in a project Baltic Deal which is an environmental cooperation project of countries around the Baltic Sea. During 2012 within the project framework, a conference and a briefing session were organised for producers and advisors, information days in farms were organised, conference Waterforum 2012, also several international meetings and conferences were participated and various analysis were performed at demonstration farms. The project activities planned for 2013 involve several international events and briefing sessions and providing expert advice on environmental issues. The project Baltic Deal ends in autumn 2013.

#### **5. Development**

During the financial year the development of support measures aimed at enterprises in fishing industry has reached its final phase. The Foundation entered into an agreement with Ministry of Agriculture in 2012 and under the agreement the ministry has authorised the foundation to apply the financial engineering instruments in Estonian fisheries.

In accordance with the requirements referred to in clause 3.1.2 in Articles of Association of the Foundation, the Ministry provides necessary financial resources in order to apply financial engineering instruments and the Foundation manages these assets separately from its own assets and do not include applying of financial engineering instruments in transactions with its own assets and vice versa. The foundation is entitled to so-called management fee which covers the expenses related to applying financial engineering instruments.

#### **6. Personnel**

During 2012 there was change in the management board – the management board has three members at the end of the year. On 01 July the contract with Thea Kaurla, member of the management board was terminated and Andres Vinni was elected as a member of the management board. Additionally Madis Reinup was appointed as the member of management board on 1 August 2012. Raul Rosenberg continues as a member of management board.

The number of supervisory board members reduced to 14 due to decision to recall Andres Vinni from the supervisory Board. There was no replacement of supervisory board member appointed.

The staff of RDF works in Tallinn and Tartu at the moment. Employees in Tartu are involved in coordinating the agricultural and rural advisory system and the Baltic Deal project. Employees in Tallinn are involved in other main activities. In May 2012 the supervisory board of RDF decided that the office in Tallinn will move to Viljandi during 2013. Due to these plans and necessity already previously on agenda, there are preparations in process in order to make the transition to internet based document management system.

In 2012, the average number of employees was 14 (in 2011: 13).

A contract of services was signed for outsourcing computer setup and maintenance services and IT consultancy services to the Foundation



# The Estonian Rural Development Foundation

## BALANCE SHEET

### BALANCE SHEET

(In euros)

	31.12.2012	31.12.2011	Note
<b>ASSETS</b>			
Current assets			
Cash	16 328 299	8 583 265	2
Financial investments	327 500	955 000	3
Receivables and prepayments	5 948 447	7 838 812	4
<b>Total current assets</b>	<b>22 604 246</b>	<b>17 377 077</b>	
Non-current assets			
Receivables and prepayments	23 589 460	24 246 328	4
Tangible assets	228 720	29 233	6
<b>Total non-current assets</b>	<b>23 818 180</b>	<b>24 275 561</b>	
<b>TOTAL ASSETS</b>	<b>46 422 426</b>	<b>41 652 638</b>	
<b>LIABILITIES AND Net assets</b>			
Liabilities			
Current liabilities			
Payables and prepayments	72 875	842 564	7
Provisions	2 402 649	1 227 315	8
<b>Total current liabilities</b>	<b>2 475 524</b>	<b>2 069 879</b>	
Non-current liabilities			
Payables and prepayments	4 000 000	0	7
Provisions	2 941 453	2 965 953	8
<b>Total non-current liabilities</b>	<b>6 941 453</b>	<b>2 965 953</b>	
<b>TOTAL LIABILITIES</b>	<b>9 416 977</b>	<b>5 035 832</b>	
Net assets			
Capital of the Foundation	33 206 971	33 206 971	
Accumulated surpluses for prior periods	3 409 835	3 303 550	
Surplus for the period	388 643	106 285	
<b>TOTAL NET ASSETS</b>	<b>37 005 449</b>	<b>36 616 806</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>46 422 426</b>	<b>41 652 638</b>	