



BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

ANNUAL 2011 REPORT



DREAM, DESIRE, DELIVER:
BUILDING A CULTURE OF TRANSPARENCY AND ACCOUNTABILITY



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We have in a short time attracted attention to the need for improvements in transparency and accountability, something that was clearly highlighted when US Secretary of State Hillary Clinton made a video adress at our Annual General Meeting in 2011

MESSAGE FROM THE BOARD & COUNCIL

Dear Stakeholders

Counting just the second full year of its operation in 2011, the Baltic Institute of Corporate Governance (BICG) has become a well-established driver of best practice Corporate Governance development in the Baltic region.

In a short time we have attracted attention from the governments, private shareholders, media and other stakeholders to the need for improvements in transparency and accountability in the Baltic public and private sector, as well as achieved some tangible progress in this area. All of this thanks to valuable contributions and a strong support of more than 100 BICG members, the Baltic and international business and political leaders, foreign diplomatic corps and more.

In the past year, governance of the Baltic State-Owned Enterprises continued to be in the BICG spotlight, marking an introduction of the professional independent board members to the boards of the Lithuanian energy sector companies.

Taking a further step in promoting sound corporate governance, BICG launched guidance for the Baltic Unlisted Companies. The guidance targets the largest segment of the Baltic economies and provides for hands-on advice on how good governance can help improve the firm's competitiveness.

Our commitment to develop a pool of Baltic professional independent board members stays strong, as more than 160 directors have graduated BICG's executive education. In 2011, we were delighted to facilitate the first placements of our graduates on Baltic boards.

2011 was an exciting and fruitful year for BICG, fostering our commitment and drive to be the voice of transparent, accountable and responsible business in the Baltic region.

We would like to take this opportunity to thank the BICG Board, Corporate Governance Council and President for a fantastic year with many professional highlights, and even more so the BICG Corporate and Individual Members as well as all our supporters and friends for trust they have shown the BICG and our ability to deliver.

We hope that you will enjoy this Annual Report and continue to be an involved stakeholder of the BICG

March 20, 2012.



Arminta Saladžienė

Chairman, BICG Board



Ian Plenderleith

Chairman, BICG Corporate
Governance Council



MESSAGE FROM THE PRESIDENT

Dear Members

The Annual Report of the Baltic Institute of Corporate Governance (BICG) is an effective way to communicate our activities and ambitions to our members and stakeholders locally, regionally and internationally. This report gives an account of our activities throughout 2011 and taking this opportunity I would like to highlight just a few.

Guidance on best corporate governance practice, executive education for professional members, business delegations abroad, events and public debates – BICG continues to employ an array of means to deliver effectively on its mission.

In 2011, we focused on introducing the “Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics” aimed at raising awareness of the value of good governance in smaller private companies.

Another highlight in 2011 was a delegation of 30 Baltic business leaders hosted by the BICG on a three day visit to New York. One of many exceptional events in New York was having the opportunity to ring the NASDAQ OMX closing bell at the MarketSite in Times Square.

The results of our work have been noticed by many stakeholders, clearly highlighted when the US Secretary of State Hillary Clinton addressed our members in a video greeting at our annual general meeting in March.

I am already looking forward to 2012 when BICG will take a delegation of its members to Copenhagen in April and another delegation to Singapore in October to observe and bring back best practice leadership skills. In 2012, we will also host one Executive Education program.

More, BICG has started intensive work on the Baltic SOEs Ratings report to be published in spring 2012. The purpose of the project is to develop a rating to help assess the level of corporate governance of SOEs in the Baltic countries. The rating will cover four fundamental aspects of the SOE governance: quality of the legal framework for SOE governance, quality of the governance of individual SOEs, public perception of SOE governance and finally data on interlocking boards. Combined, this will provide a greatly enhanced view of the SOE governance risk, the ability of the state to properly manage state-owned assets, and the potential for stronger SOE performance through better governance.

When you read this Annual Report you will perhaps, like me, wonder how it was possible to achieve so much for such a small organization.

Our results are generated by the combined efforts and support from many stakeholders who share our mission. I would in particular like to thank the BICG Board, Council and Members for their strong contributions in 2011. My deepest admiration and sincere thanks goes to everyone for this support.

March 20, 2012



Kristian Kaas Mortensen

President



*The Baltic Institute of
Corporate Governance
is an internationally
recognized driver
of best practice
Corporate Governance
development in the
Baltic region, a topic
of high importance not
only in our region but
globally*

DESIRE BECOMES REALITY: A YEAR OF RESULTS

For commercial companies the typical dream is growth and profit, in BICG as a non-profit NGO we dream of change in society. This is only our second annual report, and already we start to be able to measure this change.

2011 was a very busy year with many events in Lithuania, Latvia and Estonia, but it also brought BICG to Finland, Sweden, Denmark, France, Poland and the United States of America.

Providing policy and guidelines for companies is a key task for BICG. In order to support best practice development in private companies in the Baltics, BICG published a guidance called Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics. This guidance was published with ecoDA, and is a regional adaptation of their pan-european guidance.

Of the registered companies in the Baltics, the overwhelming majority are SMEs or start-up companies that remain under the ownership and control of the founder or founding family/group. Such unlisted enterprises are the backbone of the Baltic economies. They account for upwards of 70% of the GDP and employment. Furthermore, they are a key source of dynamism and entrepreneurial spirit. Their potential contribution to any economic growth should not be underestimated.

In our guidance, fourteen principles of good governance for unlisted companies are presented on the basis of a dynamic phased approach. This takes into account the size, complexity and level of maturity of individual enterprises. Unlisted companies – such as founder and family-owned businesses – can utilize this stepwise framework to ensure their long-term sustainability, to bring external parties to their boards, to attract funds, and to solve issues between shareholders and other stakeholders.

Driving reform of State-Owned Enterprises

- The investments made by our graduates in educating themselves over the last three years started to create results when the Lithuanian Ministry of Energy appointed 14 Independent board members to the board of directors in the major companies under their control. BICG assisted the Ministry in identifying the candidates using the BICG graduates database. 12 of the new board members are BICG graduates.
- Reform of State-Owned Enterprises has been a focus point for BICG in the last two years. The Government of Lithuania has as well taken this valuable reform area to heart, and we were pleased to note that BICG graduate Mr. Adomas Audickas was appointed Vice Minister in charge of reform of State-Owned Enterprises in the Ministry of Economy of the Republic of Lithuania.
- Another focus on SOE reform was the joint event BICG hosted together with the European Commission Representation in Latvia. This was a high level discussion on the Role of the Competition and Corporate Governance in the State-Owned Enterprises in Latvia.
- Wishing to facilitate change and reform BICG was honored to join the Lithuanian Minister of Economy Mr. Rimantas Žylius in Paris for the 16th meeting of the working party on State Ownership and privatization practices in the OECD.
- Maximizing state assets is highly important during a financial crisis, and was therefore the name of an outlook event hosted by AmCham in Latvia, where BICG independent consultant W. Richard Frederick was one of the keynote speakers.
- Being a driver of SOE reform, we must educate ourselves in order to better understand how a state ownership unit works. BICG, therefore, visited the Swedish Government's State Ownership Unit under the Ministry of Finance, to get insights into the Swedish best practice in this field.

*"Your work to reform
State-Owned Enterprises
sends a strong message
across the region about the
importance of transparency
and accountability. As you
continue to grow stronger
economies and increase
opportunity, know that the
United States stands with
you"*

US Secretary of State Hillary Clinton

International activities for regional development

- The totality of work created by BICG has been noticed in many places. We are especially proud of the fact that the Global Corporate Governance Forum in May published a new report in their lessons learned series outlining the work done by BICG, it is named: Building a Successful Corporate Governance Institute in Less Than One Year – How the Baltic Institute Became a Reality – and What Others Can Learn From It.
- Bringing back inspiration and knowledge was the key focus of a delegation of 30 Baltic business leaders who joined a BICG delegation visiting New York in October. The Delegates had an opportunity to bring back knowledge from Thomson Reuters, The Federal Reserve Bank, Deloitte, The New York City Comptroller's Office, Millstein Center for Corporate Governance and Performance at Yale School of Management and NASDAQ OMX. The delegation finished the high level visit by ringing the NASDAQ OMX closing bell in Times Square.
- BICG actively promotes gender balance on boards, and we were pleased to note that this is something shareholders as well see as valuable. Notably Mrs. Arminta Saladžienė, Head of Nasdaq OMX Baltic Markets & BICG Chairman was appointed to the Private Sector Advisory Board of the Global Corporate Governance Forum, GCGF belongs to the World Bank Group.
- International recognition and network is important for local and regional development, we were pleased to note that BICG Chairman Arminta Saladžienė was awarded the distinction of "Rising Star of Corporate Governance for 2011" by the Millstein Center for Corporate Governance and Performance at the Yale School of Management.
- Aiming to adopt EU best practice in the Baltics, BICG became a member of the European Confederation of Directors Associations ecoDA . This enables us to participate in the European policy setting within Corporate Governance and bring home valuable lessons for our members.

- Promote Transparency; Fight Corruption and Engage Civil Society are key words for the newly created Open Government Partnership that was launched on September 20, 2011 in New York by US President Barack Obama and many other world leaders. BICG was participating in an OGP pre-opening summit in Washington D. C. hosted by U.S. Secretary of State Hillary Clinton.
- BICG participated in the XI European Corporate Governance Conference in Poland to learn about the latest developments on corporate governance in the EU.
- An early supporter of BICG, the Finnish Association of Professional Board Members celebrated their 10th anniversary in 2011 with a major conference; BICG was represented at this event by Raoul Hasselgren and our council member Uldis Bikis.
- Supporting public debate was the goal of a discussion panel hosted by the Embassy of the United States in Riga and the Baltic Institute of Corporate Governance. The goal of the discussion was to support a public debate towards improving Latvia's Economic Outlook, Promoting Transparency, and Fighting Corruption through innovative solutions to the unique challenges facing State-Owned Enterprises.
- The Financial Reporting Council (UK) published a guidance on board effectiveness in early 2011, the main author of this document was Mr. Seamus Gillen from ICSA. Mr. Seamus Gillen was kind enough to present the conclusions of this guidance at a BICG event in Vilnius co-hosted with Ambassador Hunt at the British Embassy.

Engaging local efforts to deliver change

- In the Baltic States our companies are on a European scale rather small, but perhaps we could learn to become bigger by using big company strategies. This was the aim of the BICG lead event featuring Mr. Jorgen Lindegaard who shared his experience as a CEO of companies like SAS (13.000 employees) and ISS (520.000 employees) the event was called Strategy, Experience & Mistakes.
- “How and why to improve your corporate governance “ – was a key event hosted by BICG with AmCham in Estonia. This event was attended by many relevant participants and offered a good discussion on Estonian Corporate Governance practices and development.
- Corporate Governance is a factor when the bank evaluates credit risk in your company; this was clear following a BICG presentation to the senior credit decision makers from risk and business areas in DnB Baltics.
- Sustainable growth – the hidden opportunities was the main subject when BICG with the American and Swedish Chambers of Commerce in Estonia hosted a major event to discuss Corporate Governance. Speakers included the former Estonian Prime Minister and current Minister of Defence Mart Laar, Anders Björck, Raoul Hasselgren and many others.
- The role of media in developing a well-governed and transparent society cannot be underestimated. Therefore, BICG made it a centre-theme of a roundtable discussion hosted together with the British Embassy in Vilnius.
- Much of the positive developments in Baltic corporate governance can be traced to BICG graduates, at the end of 2011 the number of BICG graduates of our Executive Education reached 160.

"We are grateful to the Baltic Institute of Corporate Governance for assisting us in finding these independent board members, we hope this will help the companies setting better strategies for the future"
Minister of Energy, Arvydas Sekmoka





DREAM TEAM SUPPORT

In 2011, we were privileged to have the active involvement, support and endorsement of a committed international network of governance experts, board professionals, and governments without whom our results would be far less ambitious and meaningful. Our sincere thanks goes to everyone who has contributed to our goals, projects and activities in general, specifically we would like to thank the following individuals:

Phil Armstrong,

CEO, Global Corporate Governance Forum, United States

Adomas Audickas,

Vice Minister, Ministry of Economy, Lithuania

Anders Björck,

Politician and former President of the Council of Europe, Sweden

H.E. Ambassador Peter Carter,

British Embassy in Estonia

Secretary of State Hillary Clinton,

United States

Stephen Davis,

Executive Director, Millstein Center for Corporate Governance & Performance, Yale School of Management, United States

H.E. Ambassador Anne E. Derse,

United States Embassy in Vilnius

H.E. Prime Minister Valdis Dombrovskis,

Prime Minister of the Republic of Latvia

Christian Engelsen,

CEO, Institute for Corporate Governance, Denmark

Carol Fox,

Vice President, Thomson Reuters, United States

W. Richard Frederick,

External Consultant, Baltic Institute of Corporate Governance, Spain



Lars Erik Fredriksson,

Special Adviser, Division for State-Owned Enterprises, Ministry of Finance, Sweden

H.E. Ambassador Judith G. Garber,

United States Embassy in Riga

Michael Garland,

Executive Director for Corporate Governance, New York City, Office of the Comptroller, United States

Martin Gauss,

CEO, airBaltic, Latvia

Seamus Gillen,

Director of Policy at the Institute of Chartered Secretaries and Administrators, United Kingdom

Raoul Hasselgren,

External lecturer, Baltic Institute of Corporate Governance, Sweden

H.E. Ambassador David Hunt,

British Embassy in Lithuania

Morten Kallevig,

Deputy Director General, Ownership Department, Ministry of Trade and Industry, Norway

Peter Kastrup-Misir,

Partner, Company-Plus, Denmark

Edward Knight,

Executive Vice President and General Counsel of the NASDAQ OMX Group, United States

Dan Konigsburg,

Executive Vice President and General Counsel of the NASDAQ OMX Group, United States

H.E. Prime Minister Andrius Kubilius,

Prime Minister of the Republic of Lithuania

Jørgen Lindegaard,

Former CEO, Scandinavian Airlines System, Denmark

H.E. Ambassador Jorgen Molde,

Danish Embassy in Vilnius



Juris Pūce,

State Secretary, Ministry of Economy, Latvia

H.E. Ambassador Cecilia Ruthström-Ruin,

Swedish Embassy in Vilnius

Sten Scheibye,

Chairman, Novo Nordisk, Denmark

Bjorn Sprangere,

Chairman, LKAB, Sweden

H.E. Ambassador Mats Staffansson,

Swedish Embassy in Riga

H.E. Ambassador Leif Arne Ulland,

Norwegian Embassy in Vilnius

Valdis Zagorskis,

Deputy Head, European Commission Representation in Latvia

H.E. Rimantas Žylius,

Minister of Economy, Lithuania





HONORARY MEMBERS

BICG receives support and assistance from many companies, institutions, Embassies and individuals. Our work would be all but impossible without this support.

BICG once a year awards honorary membership of the institute to some of these individuals who have contributed the most.

The first ever BICG honorary members were announced on March 18, 2011 at the annual general meeting and conference, they are;

- H.E. British Ambassador to Lithuania Simon Butt
- H.E. Swedish Ambassador to Lithuania Ulrika Cronenberg-Mossberg
- H.E. US Ambassador to Lithuania Anne Derse
- Mr. Raoul Hasselgren

The totality of assistance, friendship and support to BICG from these four individuals are a key reason why the Institute today is thriving with members and accomplishments despite its young age.

Baltic Institute of Corporate Governance represents more than 100 Baltic members. We are a non profit, non governmental organization with strong involvement from the Baltic business and political leaders.



CORPORATE GOVERNANCE AWARDS

BICG seeking quick and efficient reforms and adoption of best practice corporate governance in the Baltic States also has an opportunity to award remarkable achievements within this area.

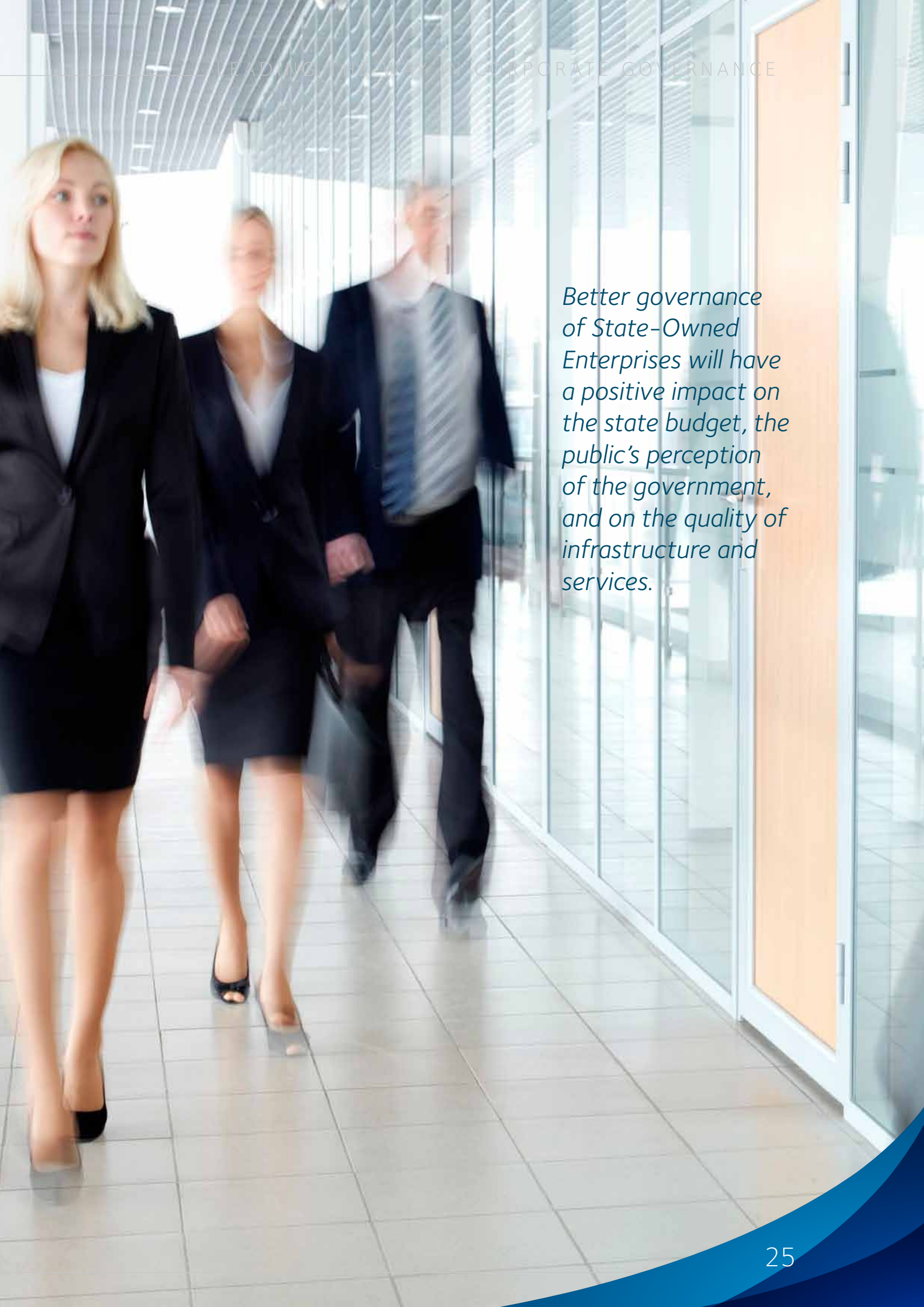
One such remarkable achievement was publishing of the first ever aggregated annual reports of state commercial assets published by the Governments of Lithuania and Latvia under the leadership of H.E. Prime Minister of Lithuania Andrius Kubilius and H.E. Prime Minister of Latvia Valdis Dombrovskis.

This should be seen in the context of the fact that both the Lithuanian and Latvian economies were heavily hit by the financial crisis, and that both governments was heavily engaged in solving this crisis and re-building economic growth.

Despite this challenging situation both Prime Ministers have shown incredible leadership and strength in driving reform of State-Owned Enterprises and promoting transparency by releasing aggregated annual reports of state assets.

BICG was therefore pleased to jointly award the first ever Baltic Corporate Governance award to H.E. Prime Minister of Lithuania Andrius Kubilius and H.E. Prime Minister of Latvia Valdis Dombrovskis on March 18, 2011.

Both Prime Ministers attended the event personally, and had an opportunity to address the BICG members.



Better governance of State-Owned Enterprises will have a positive impact on the state budget, the public's perception of the government, and on the quality of infrastructure and services.

CHAIRMAN AND CEO – TANDEM AT THE TOP,

BY PROFESSOR ULF LINDGREN

“I had the best possible board and my CEO had a wonderful team around him; but we could not work in harmony together. One of us had to leave. I stayed, he left, and now the board and the entire top organization is working extremely well as one team. It was sad but necessary to part ways.”

This quote, from one of the chairmen interviewed for this research, shows in essence what almost all of them, expressed as the key issue for effectiveness of the board and for top level value creation in their organizations.

The research indicates in favour of having a pair of leaders at the top working together; where both leaders are leveraging from each other's core skills and competencies. This is the 'Tandem' at the top. This implies that they work together but have chosen different roles and have agreed on a division of key tasks between them.

Peter Drucker wrote: every case of business growth is the achievement of at least two men working together (Drucker 1969). And he added: The concept of the one-man CEO is contrary to all experience and to the demands of the job. If applied, it leads to trouble.

Surprisingly few academics have spent significant time and effort researching this key relationship, albeit that it exists in almost all corporations worldwide. In most countries today we find a split of the chairman and CEO role into two distinct positions. So, the issue of defining a well-functioning relationship between the two has become highly relevant for almost all companies.

A recent study by Kakabadse and Kakabadse (2006) supports the view that the chairman and CEO relationship is a key element of any successful organizational and managerial structure.

As a chairman of a large Indian conglomerate explained to me; “The relationship between the two of us at the top, is the most important of all; when it works well, you have a self-playing piano. And this piano is playing music that is creating huge value for the shareholders.”

¹This chapter from the book *The 21st Century Board, Strategies for the Progressive Boardroom of the Future* written by Professor Ulf Lindgren and published by IEDP is printed with permission from the publisher and the author. The full book can be bought in Hardcopy ISBN 978-1-84673-195-2. BICG gratefully thanks them for this permission.

external article



The 'Tandem' Leadership

Tandem Leadership implies that the two leaders work together as a pair, where each one is assigned roles and responsibilities that best fit with his/her core skills and competencies. Drucker (1955) makes the comparison with a tennis doubles team. He writes: In playing doubles tennis each player has an area of responsibility; but he is also expected to cover his partner...the partners in collaboration work out the lines of demarcation themselves. To play a winning doubles game a team must have played together quite a bit; but once the partners have come to know and to trust each other there will be no gaps on their side of the net.

Here we list them as they have been expressed during the discussions with chairmen and CEOs respectively:

To create a winning 'doubles team' or the 'Tandem', the two top leaders must complement each other. Both as to skills but also as to personality.

A good personal chemistry is imperative, but the relationship must not become too personal. At all times, professional standards must apply. The 'Old Boys Network' must not reappear in a disguised Tandem version.

The key tasks and responsibilities must be carefully defined and assigned to each of the leaders so as best to fit his/her profile of skills and competencies. It should be documented and accepted by both and get a final approval from the board. The CEO should inform his management team about the agreement and be prepared to discuss the implications of the dual leadership with them.

The tandem structure must not interfere with the CEO's reporting structure and 'chain of command' versus his/her top level managers. The chairman must never bypass the CEO and start managing the line of executives. Equally important, the CEO must not aim at imposing him/herself on the board, but leave the chair of the board meetings to the chairman.

The key success factor for a Tandem to be effective is that both leaders show each other mutual respect, and that there is a strong bond between them based on mutual trust.

Both chairman and CEO must have access to accurate and relevant information to support their jobs; the chairman must have full access to such information through a well-defined and structured process.

As one of the chairmen said;

"We are good friends, of course, but we had to draw a line in the sand; where friendship stops and business takes over. We have sworn to each other never to mix prevails between equals. And in our case, it does. After work, we can go skiing together, or just go out for a beer."

Key Issues for a Successful 'Tandem'

The key aspect of the Tandem has been listed above, mutual trust and respect. But successful teams are not created by themselves, at least not in large corporations.

And there are several factors that tend to come up during the duration of the Tandem relationship. Here are some of the more important:

1. Forming the Tandem

- When searching for the two leaders to be selected for the top positions, the board must start with these questions: What kind of leaders does this corporation need? What are the key strategic challenges facing the business going forward? What leadership skills are required to create the value inherent in the business? Are we in for growth/restructuring?
- Most of the time, the board starts with at least one of the positions already filled by a competent executive. Assuming the skill set and profile of this leader is adequate, the search must be initiated to find his/her partner.
- Political and other sub-optimal considerations must be set aside; only competence should count in the selection of the Tandem partner. And no 'Old Boys Network' thinking must be allowed to influence any such decision.
- The two potential partners must be asked to meet and be informed about the dual leadership role. Then discuss whether the proposed Tandem could be an attractive proposition for them. If one of them is not on-board for such a solution, the process must be rethought and another partner candidate found; one who accepts the Tandem role.

2. Assigning the tasks and responsibilities

- Most experienced leaders know what is required from them in a certain executive position. The two partners should thus be able to define the shared tasks and responsibilities themselves.
- A key imperative is that both leaders must accept, and understand the rationale not to interfere in one another's defined responsibilities and roles.
- The chairman is the CEO's boss; this must be made clear at all times. But the 'rules of engagement' must be well defined. What precisely does this command structure imply? And what should be left to the board and/or the board's dedicated committees, e.g. Compensation Committee, Nomination Committee, etc.?
- Some of the areas where the Tandem should work as a team are:
 - I. Larger M&A transactions; here a two-man negotiating team is always a major advantage; all executives that have been involved in top level negotiations embrace the two people team structure to help achieve extraordinary outcomes.
 - II. Crisis management; experience shows the imperative imbedded in the choice of one spokesman to external parties.
 - III. Capital market interaction; this is another area where the Tandem partners should define exactly who is doing what. New phenomena such as activist and hedge funds put an extra pressure on the top team to adapt a clearly defined channel for such communication; do nothing is not a viable alternative.
 - IV. Strategic customer and partner acquisition and management; as for M&A deals, the approach to successful closing of major strategic opportunities should also be subject to a sharing between the two leaders at the top.

- V. “I always ask my chairman to come with me to major customer meetings; he knows the market space and is a respected captain of industry. With him and me together, we dramatically enhance our chances of achieving successful outcomes from such customer discussions and negotiations. I can count numerous such commercial successes that we could attribute to our teamwork”, said one of the CEOs interviewed in the study.

3. Information Sharing

- The chairman and the CEO must have access to all relevant information. A specifically defined set of data should be provided to the chairman on a timely basis. He/she does not need and should not have access to all management information reported to the CEO and the management team.
- A specifically defined reporting system should be set up to provide the chairman with such data.
- In addition, the chairman should have the right to request additional information on a ‘by need’ basis. However, based on the experience shared with the chairmen and CEOs in this research study, specific routines must be established for this incremental reporting process.



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4. Termination and Succession Procedures; Parting Ways

- As for all key positions in a corporation, there must be a plan for the chairman's succession.
- The stronger the Tandem has been working together, the more delicate the succession becomes, thus requiring a defined plan for this event.
- It should be noted, that in some countries, the chairman's tenure is defined by law and sometimes limited in time.
- Also, a chairman, as a board member, could always be replaced by the shareholders at a general meeting under most versions of modern corporate law.
- Finally, it is the ultimate task and duty of the chairman to terminate the contract for the CEO, should the circumstances require such a decision. As for any boss, it is then the chairman's duty to execute this decision and terminate the CEO contract.
- This is one of the key reasons for why the Tandem partners must be able to separate their professional relation from any personal bond of friendship that may arise between them.

5. Interacting with the Board

- Both the CEO and the chairman would have different roles vis-a-vis the board and should be assigned different reporting requirements for board meetings.
- It was strongly recommended by almost all the chairmen and the CEOs in this study, that the agenda is put together by both leaders; bearing in mind that the agenda de facto defines the role of the board and its role in strategic decision-making, etc.
- But proposals to the board must be made by the CEO, even if he/she and the chairman already have agreed on the proposal.
- And all relevant information for such decision-making must be made available to the board members; to keep privileged information between the two Tandem partners is 'against the rules of the game' and is a strong recipe for disaster.

Major Benefits of the Tandem

When a well-functioning Tandem relationship is in place, it typically leads to a number of positive effects for the organization and the underlying business success, primarily from;

- An effective and value creating board.
- Regardless of the qualities of the other board members, without the duo at the top working together, it will have negative impact on the board as a whole.
- The Tandem creates lots of incremental value in matters as outlined above.
- Managerial synergies at the top where the best qualities of the two top leaders can be leveraged for value creation for the company.
- Good balance between executive management and board.
- But these positive effects do not come by themselves. They require a careful and systematic approach to finding and attracting the right candidate for both the chairman as well as the CEO position. And to establish the 'rules of engagement' for the Tandem, as well as the 'lines of demarcation' that Drucker referred to.

- Again, the differences in the legal structure between different jurisdictions make a Tandem solution more or less viable. It is particularly attractive in the Scandinavian/Swiss system with a one-tier board and where typically the chairman and the CEO are two different positions upheld by two different individuals. But it could work also in the Anglo-Saxon system with executives and non-executives as board directors. Finally, also under a two-tier structure, we have seen examples of working Tandem pair solutions.
- But even the best of Tandem solutions can be damaged by too much shareholder politics and in-fighting.
- The research highlighted several very happy Tandem partners who expressed their comfort with the well-functioning and balanced relationship. But as in any marriage, it takes an effort by both parties to work to maintain an amicable and at the same time professional *modus operandi* between the two individuals involved.

Why a Combined Chairman and CEO Role is not a Viable Solution

Turning to the notion of blending the two roles into one; this is still common practice in some countries, predominantly in the United States and in France, where 80% of chairmen also serves as the CEO (in France the combined role is that of the *President Directeur Générale*, PDG). In most other countries, the role is split, e.g. in the United Kingdom in over 90% of the companies reported (Coombes & Wong, 2004), and in some countries, e.g. Russia and Japan, in 100% of corporations.

If, in addition, the remaining directors are non-executive or independent, the combined chairman and CEO has a huge information advantage, and the board meetings sometimes become a pure information gathering session, where the chairman/CEO communicates already decided upon (and, in some cases, even already implemented) issues. This has led to some major corporate failures in the recent past. We recommend shareholders, who ultimately decide on the issue, to avoid this mixing of roles and positions going forward.





WHAT IS BICG

BICG represents Baltic board professionals and their companies by:

MISSION

BICG delivers value to its stakeholders by promoting global competitiveness of Baltic companies through adoption of leading Corporate Governance practices.

VISION

BICG is an internationally recognized driver of best practice Corporate Governance in the Baltic region.

VALUES

Trust, Integrity & Excellence

BICG delivers value to its stakeholders by promoting global competitiveness of Baltic companies through adoption of leading Corporate Governance practices.

Member information

By providing balanced and open information to its members, BICG aims to create the best conditions to attract and keep a strong member base that fairly represents good governance practices in the Baltics.

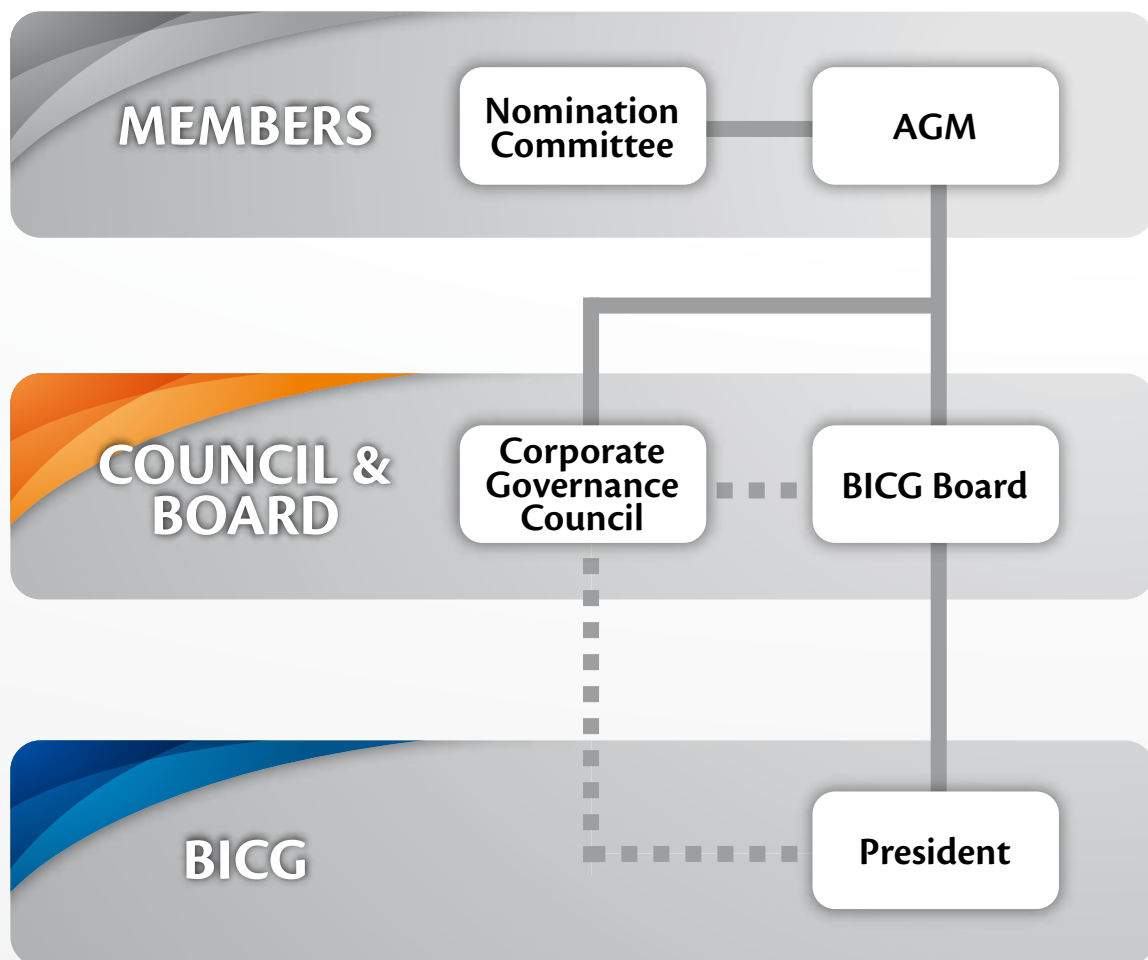
Annual General Meeting


The Institute's Annual General Meeting will be held on Tuesday, 27 March 2012 at Radisson Blu Lithuania, Vilnius.

BICG is an association governed by its members. The relationship between the Association's members, the Board, the Council, Management and other stakeholders is regulated in the bylaws of the Association. The full bylaws are publicly available on the BICG website.

BICG has two forms of membership: individual and corporate. Any person who has graduated the BICG Executive Education for professional board members and who pays an annual membership fee of 100 Euro will become an individual member. Corporate membership is by invitation only; corporate members must be approved by the BICG Board. In 2012 Baltic members will pay an annual membership fee of 3.000 Euro. In 2012 National corporate members will pay an annual membership fee of 1.000 Euro.

Each member has one vote at the General Meeting. The Annual General Meeting (AG M) every year will elect three members to serve on the Nomination Committee who will do the selection of and propose to the AG M candidates for the Board positions.





Composition and work of the BICG Board

The General Meeting elects the BICG Board. The Board will have nine members elected by the General Meeting. The members of the Board are elected individually. At each Annual General Meeting three members of the board step down but may be reelected.

Prior to recommending candidates for election at the General Meeting, the Nomination Committee distributes a presentation of each candidate's background, relevant competencies and any managerial positions or positions of responsibility, and the Nomination Committee justifies its recommendations on the basis of the recruitment criteria it has laid down.

The Board of BICG ensures that the management observes the goals, strategies and business procedures established by the Board. Information from the management is provided systematically at meetings as well as in the BICG annual report.

The BICG Board governs the Institute and oversees the operational aspects.

The Board of BICG held nine meetings in 2011, one of these meetings was devoted to developing the strategy of BICG.

In between its ordinary meetings, the Board receives written information on the Institute's activities and extraordinary meetings or consultations are convened if necessary. None of the members of the BICG Board are involved in the executive management of the Institute, and have received no remuneration for their work in 2011.



CHAIRMAN

Arminta Saladžienė

Head of NASDAQ OMX Baltic Market



Linas Dičpetris

Ernst & Young,
Partner



Ugnius Jankauskas

Verslo Žinios,
Managing Director



Daiga Auzina-Melalksne

CEO,
Nasdaq OMX Riga



Frederik J. Borch

Deputy Chairman,
DNB Nord



Paulius Gruodis

Glimstedt Law firm,
Associate partner



Carl Berneheim

Swedish
Chamber of Commerce,
Chairman



Andrus Alber

CEO,
Nasdaq OMX Tallinn



Girts Vinnins

General Manager,
Novo Nordisk,
Latvia



Composition and work of the Corporate Governance Council

The Council members are nominated by the BICG Board and approved by the AGM for a one year term. The Council consists of nine members, three from each Baltic country. The Council is led by a Chairperson, elected by the CG Council members.

The Council members set the “tone at the top” in Corporate Governance. They act not just as Ambassadors for the Institute, but also as its formal representatives in various national, regional and international entities and events. The BICG Council advises on its strategic direction and activities, and in cooperation with the national governments, the stock exchanges and other stakeholders, advises and endorses Corporate Governance guidance and codes.

The Council met two times in 2011. In between its ordinary meetings, the Council receives written information on the Institute’s activities, and extraordinary meetings or consultations are convened when necessary.

None of the members of the BICG Council are involved in the executive management of the Institute, and have received no remuneration for their work in 2011.

EE Members



CHAIRMAN
Ian Plenderleith
CEO, Tallinna Vesi



Veiko Sepp
Ericsson country manager
Estonia, Latvia, Lithuania



Heldur Meerits
Council member
at LHV Pank

LV Members



Uldis Bikis
CEO of Latvijas finieris



Vitālijs Gavrilovs
President of Employers'
Confederation of Latvia



Dr. Juris Binde
Chairman of Board
Latvijas Mobilais Telefons

LT Members



Antanas Juozas Zabulis
President, UAB Omnitel



Rolandas Barysas
Editor in chief,
Verslo žinios



Prof. Viktoras Butkus

BICG Management

The BICG Board appoints the President who is in charge of the day-to-day operation of the Institute. The President of BICG is not a member of the BICG Board or Council, but attends Board and Council meetings.



Kristian Kaas Mortensen

President, Baltic Institute of Corporate Governance

"It typically takes several years and over a million dollars to establish a functional corporate governance institute. Incorporation, staffing, policy research, training programs, marketing, and public relations take time and money. In 2009, a handful of dedicated volunteers turned this proposition on its head. With the aid of a few well-placed connections, they sparked a movement that led to creation of the Baltic Institute of Corporate Governance"
GCGF May 2011

2011 Financial Statements

Management and Board Statement

The Board of the Baltic Institute of Corporate Governance have today discussed and approved the Annual Report of the Institute for 2011.

The financial statements in this annual report has been prepared in accordance with the Republic of Lithuania Law on Accounting and Financial Reporting, and Finance Minister of Republic of Lithuania Order No. 1K-372 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities" and has been audited by Deloitte.

In our opinion the financial statements give a true and fair view of the Institute's financial position at 31 December 2011 and of the results of the Institute's operations for the financial year 2011.

Further, in our opinion the Annual Report and the audited financial statements include a fair view of the development in the Institute's operations and financial matters; the results for the year; the financial position as well as describing the significant risks and uncertainties affecting the Institute.

We recommend that the Annual General Meeting approve the Annual Report.

Vilnius, 20 March 2012

Management of Baltic Institute of Corporate Governance

Kristian Kaas Mortensen, President



Board of Baltic Institute of Corporate Governance

Arminta Saladžienė, Chairman of the Board

Paulius Gruodis, Member of the Board



Linas Dičpetris, Member of the Board



Carl Berneheim, Member of the Board



Ugnius Jankauskas, Member of the Board



Andrus Alber, Member of the Board



Daiga Auzina-Melalksne, Member of the Board



Frederik J. Borch, Member of the Board



Girts Vinnins, Member of the Board



INDEPENDENT AUDITOR'S REPORT

To the Board of Association Baltic Institute of Corporate Governance

We have audited the accompanying set of the financial statements of Association Baltic Institute of Corporate Governance (hereafter – "the Association"), which comprise the balance sheet at 31 December 2011, and the performance statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 55-66.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Republic of Lithuania Law on Accounting and Financial Reporting and Finance Minister of Republic of Lithuania Order No. 1K-372 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities" issued on 22 November 2004 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Association at 31 December 2011, and its financial performance for the year then ended in accordance with the Republic of Lithuania Law on Accounting and Financial Reporting, and Finance Minister of Republic of Lithuania Order No. 1K-372 "The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities".

Deloitte Lietuva UAB
License No 001275



Arūnas Užbalis
Lithuanian Certified Auditor
License No 000543

Vilnius, Lithuania
20 March 2012





financial statements_

Balance sheet

AT 31 DECEMBER 2011

(LTL, unless otherwise stated)

	Notes	2011	2010 (restated, note 7)
ASSETS			
A. NON-CURRENT ASSETS			
I. INTANGIBLE ASSETS		-	-
II. PROPERTY, PLANT AND EQUIPMENT		3.119	2.145
III. FINANCIAL ASSETS		-	-
		3.119	2.145
B. CURRENT ASSETS			
I. INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS			
I.1. Prepayments		34.528	3.212
		34.528	3.212
II. AMOUNTS RECEIVABLE WITHIN ONE YEAR			
II.1. Trade debtors		21.153	-
II.2. Other amounts receivable		2.865	6.485
		24.018	6.485
III. OTHER CURRENT ASSETS		3.085	3.085
IV. CASH AND CASH EQUIVALENTS		83.946	77.158
		145.577	89.940
TOTAL ASSETS		148.696	92.085
EQUITY AND LIABILITIES			
C. EQUITY			
I. CAPITAL		-	-
II. REVALUATION RESERVE		-	-
III. RESERVES		-	-
IV. RETAINED EARNINGS			
IV.1. Profit of the reporting year		-	-
IV.2. Profit of the previous years		53.994	53.994
		53.994	53.994
D. FINANCING			
I. Objective contributions		-	-
II. Membership fees		16.595	11.117
III. Other financing		-	-
	3	16.595	11.117
E. AMOUNTS PAYABLE AND LIABILITIES			
I. NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES		-	-
II. CURRENT AMOUNTS PAYABLE AND LIABILITIES			
II.1. Amounts payable to suppliers		28.598	2.008
II.2. Advances received		18.990	18
II.3. Salary and related liabilities		24.944	16.656
II.4. Other accounts payable and current liabilities		5.575	8.292
		78.107	26.974
TOTAL EQUITY AND LIABILITIES		148.696	92.085

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

These financial statements were approved on 20 March 2012 and signed by:


Kristian Kaas Mortensen
President


Božena Rakovska
Accountant, Scandinavian Accounting and Consulting UAB

Performance statement

FOR THE YEAR ENDED 31 DECEMBER 2011

(LTL, unless otherwise stated)

	Notes	2011	2010 (restated, note 7)
I. REVENUE	4	452.256	485.631
II. EXPENSES			
COSTS OF SERVICES RENDERED	5	500.099	510.925
EXPENSE COMPENSATION (-)	3	(211.997)	(144.110)
OPERATING EXPENSES		164.154	118.816
Membership expenses in other organizations		34.528	-
Accounting and audit services		31.232	15.306
Salary and related expenses, attributed to administration		21.512	29.198
Business trip expenses		14.455	15.666
Car rent and maintenance expenses		13.351	6.870
Rent of premises expenses		10.358	-
Communication expenses		9.374	7.267
Representation expenses		3.660	1.276
Marketing expenses and gifts		2.546	6.173
Bank services		2.092	1.482
Office expenses		1.196	4.862
Depreciation		836	61
Changes in foreign currency exchange rate, net		472	4.292
Interest expenses		-	37
Other operating expenses		18.542	26.326
		452.256	485.631
III. PROFIT BEFORE INCOME TAX		-	-
IV. INCOME TAX		-	-
V. NET PROFIT		-	-

The accompanying explanatory notes are an integral part of these financial statements.
These financial statements were approved on March 20 2012 and signed by:



Kristian Kaas Mortensen
President



Božena Rakovska
Accountant, Scandinavian Accounting and Consulting UAB

Explanatory notes

FOR THE YEAR ENDED 31 DECEMBER 2011

(LTL, unless otherwise stated)

1. General information

Association Baltic Institute of Corporate Governance was registered on 29 September 2009. Association's code is 302441498, office is located at Jogailos str. 4 Vilnius, Lithuania.

Association Baltic Institute of Corporate Governance (thereafter – “the Association”) is a public non-profit legal entity engaged in social and educational activities, including organization of the education process, preparation and implementation of programs and methodologies in the fields of corporate governance.

The Association employed one employee both in 2011 and 2010.

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Law on Accounting of Lithuania and Order No. 1K-372 of Finance Minister of the Republic of Lithuania dated 22 November 2004 “The rules for preparation and presentation of accounting and financial statements for non-profit limited liability entities”.

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

The accompanying financial statements are presented in the national currency of Lithuania, the Litas (“LTL”).

The Association is not required and does not prepare cash flow statement.

Change in accounting policy

During accounting period the Association has changed its accounting policy, which affected amounts of current and previous years. Descriptions and the total result of corrections to the comparative information of year ended on 31 December 2010 is presented in note 7.

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment are such assets, which are under the Association's ownership and control; are reasonably expected to generate economic benefits in future periods; are going to be used longer than one year; acquisition cost can be reliably measured; and acquisition value is exceeding the minimum value set for each asset group.

Depreciation is computed using the straight-line method over the estimated useful life of the related asset. Depreciation expenses are charged to the operating expenses in the Performance statement.

Property, plant and equipment with acquisition value over LTL 1.000 and useful life more than one year are capitalized.

Property, plant and equipment depreciation periods:

Group of Property, plant and equipment asset	Useful lives
IT and telecommunication equipment	3 years

At the end of every financial year the Association reviews the estimated useful life, carrying amount and depreciation method of non-current assets and the changes in accounting estimates and judgments, if any, are recognized on a prospective basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Financing

Membership fees, Objective contributions and Other financing received are accounted for on an accrual basis, i.e. contributions are credited to the Performance statement in the periods when related expenses, which they are intended to compensate, incurred. Contributions are recognized when they are received or there is a reasonable assurance that they will be received.

Contributions related to income

Contributions related to income are received as a reimbursement for expenses already incurred or as a compensation for unearned revenue, and also all other Contributions other than those related to assets.

Objective contributions are used as primary financing source to compensate related expenses. When project is finished, unused funding is, in accordance with agreed conditions in the contract, either recognized in the Performance statement as the funding excess of compensated amounts or the unused funding is returned to the contribution providers.

Membership fees are used to finance activities only when objective contributions and other financing, including profit for the year from other activities, is used and those funds are not sufficient to compensate the cost incurred.

The used part of the financing related to the objectives of the Association during the reporting period is shown in separate account "Expense compensation" with minus sign in the Performance statement.

Objective contributions related to assets

Objective contributions related to assets include objective contributions to finance asset acquisitions and non-monetary asset contributions. Initially such contributions are recorded at the fair value of the corresponding assets and subsequently credited to the Performance statement over the useful lives of related non-current assets.

Revenue recognition

Revenue is recognized when it is probable that the Association will receive the economic benefit and the revenue can be reliably estimated. Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided net of value-added tax and/or rebates and discounts.

Expenses recognition

Expenses are recognized on an accrual basis and revenue and expense matching principles in the reporting period when income related to these expenses was earned, irrespective of the time the money was paid.

During the reporting period the expenditure of the Association are recognized as expense of the reporting period, if they cannot relate to specific income and does not foresee as income of future reporting periods.

All expenses directly attributable to projects are classified as Costs of services rendered in Performance statement. Other expenses, not directly attributable to projects, are classified as operating expenses in Performance statement.

The President's salary expenses directly attributable to projects are classified as Costs of services rendered in Performance statement. The president's salary expense, which are not directly attributable to projects are classified as operating expenses in Performance statement.

Foreign currencies

Transactions denominated in foreign currency other than Litas (LTL) are translated into LTL at the official exchange rate of Bank of Lithuania on the date of the transaction, which approximates the prevailing market rates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency exchange gains and losses resulting from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the Performance statement. Gains and losses arising on exchange are included in net profit or loss for the period.

At 31 December applicable rates used for principal currencies were as follows:

2011	2010
1 EUR = 3,4528 LTL	1 EUR = 3,4528 LTL
1 LVL = 4,9421 LTL	1 LVL = 4,8643 LTL
10 EEK = 3,8600 LTL	10 SEK = 3,8407 LTL

Income tax

In accordance with the Corporate Income Tax Law for non-profit organizations, revenue received to directly satisfy the requirements of public interest is not taxable. The taxable income equivalent to 25 thousand LTL is taxed at 0 percent tax rate if revenue received from commercial activities does not exceed 1 million LTL, while the remainder of the taxable income – by 15 percent tax rate. If revenue from commercial activities exceeds 1 million LTL, all taxable income is taxed at 15 percent tax rate.

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2010 and 2011; and all revenue was used to satisfy the requirements of the public interest.

Related parties

Related parties are defined as founders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Association, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

Subsequent events

Subsequent events that provide additional information about the Association's position at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3. Financing

At December 31 membership fees and contributions were as follows:

	2011			
	Membership fee	Objective contributions	Other financing	Total
Balance at 1 January (restated, note 7)	11.117	-	-	11.117
Receipts	165.389	51.792	294	217.475
Usage	(159.911)	(51.792)	(294)	(211.997)
Closing balance at 31 December	<u>16.595</u>	<u>-</u>	<u>-</u>	<u>16.595</u>

	2010 (restated, note 7)			
	Membership fee	Objective contributions	Other financing	Total
Balance at 1 January	33.837	-	-	33.837
Receipts	50.769	69.528	1.093	121.390
Usage	(73.489)	(69.528)	(1.093)	(144.110)
Closing balance at 31 December	<u>11.117</u>	<u>-</u>	<u>-</u>	<u>11.117</u>

4. Revenue

For the years ended 31 December revenue consisted of the following:

	2011	2010
Income from executive education programs	390.166	458.796
Income from other projects	62.050	25.368
Other income	40	1.411
Interest income	-	56
Total revenue	<u>452.256</u>	<u>485.631</u>

5. Costs of services rendered

For the years ended 31 December costs of services rendered are grouped as follows:

	2011	2010 (restated, note 7)
Executive education programs	271.455	311.217
Other projects	175.655	64.309
Total expenses, excluding financed projects	447.110	375.526
Projects partly financed by objective contributions	52.989	135.399
Total costs of services rendered	500.099	510.925

For the years ended 31 December costs of services rendered consisted of the following:

	2011	2010 (restated, note 7)
Salary and related expenses, attributed to projects	193.611	151.985
Hotel / Education premises	94.978	96.990
Lectors' fee	89.768	179.305
Seminar material / Hand-outs	49.680	43.140
Speakers' travel and other expenses	17.822	-
Lectors' travel and hotel expenses	17.809	18.157
External project expenses	17.739	-
Transportation expenses	10.875	878
Marketing expenses and gifts	3.584	5.204
Travelling expenses	2.916	2.276
Representation expenses	1.317	5.772
Catering services	-	7.218
Total	500.099	510.925

6. Remuneration to management

Remuneration to management for the years ended 31 December:

	2011	2010
President	165.921	164.553
Average annual number of managers	1	1

There was no remuneration or gratuitous assets transferred for Board and Council members for the year 2011 and 2010.

7. Restatement of comparative information for the year ended 31 December 2010

Change in accounting policy

During accounting period the Association has changed its accounting policy, which affected amounts of current and previous years.

Change in expense allocation policy

The Association changed expense allocation policy to better align with income and expense matching principle.

Original policy: Costs of services rendered in Performance statement comprised costs of executive education programs only.

Changed policy: Costs of services rendered in Performance statement comprise costs of all projects.

Change in financing policy

The Association changed financing policy to better reflect the Association's nature of activities.

Original policy:

- a. After objective contributions, membership fees were the next priority source of financing.
- b. Membership fees were used only to compensate Operating expenses.

Changed policy:

- a. Membership fees are used only after all other financing sources, including profit for the year and objective contributions, were used.
- b. Membership fees, if needed, are used to compensate for both Costs of services rendered and Operating expenses.

The total result of the above mentioned corrections to the comparative information of 2010 is as follows:

Balance sheet At 31 December 2010		Before restatement	Change in accounting policy	As restated
ASSETS				
A. NON-CURRENT ASSETS				
I.	INTANGIBLE ASSETS	-	-	-
II.	PROPERTY, PLANT AND EQUIPMENT	2.145	-	2.145
III.	FINANCIAL ASSETS	-	-	-
		2.145	-	2.145
B. CURRENT ASSETS				
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS			
I.1.	Prepayments	3.212	-	3.212
		3.212	-	3.212
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR			
II.1.	Trade debtors	-	-	-
II.2.	Other amounts receivable	6.485	-	6.485
		6.485	-	6.485
III.	OTHER CURRENT ASSETS	3.085	-	3.085
IV.	CASH AND CASH EQUIVALENTS	77.158	-	77.158
		89.940	-	89.940
TOTAL ASSETS		92.085	-	92.085
EQUITY AND LIABILITIES				
C. EQUITY				
I.	CAPITAL	-	-	-
II.	REVALUATION RESERVE	-	-	-
III.	RESERVES	-	-	-
IV.	RETAINED EARNINGS			
IV.1.	Profit of the reporting year	7.364	(7.364)	-
IV.2.	Profit of the previous years	57.747	(3.753)	53.994
		65.111	(11.117)	53.994
D. FINANCING				
I.	Objective contributions	-	-	-
II.	Membership fees	-	11.117	11.117
III.	Other financing	-	-	-
		-	11.117	11.117
E. AMOUNTS PAYABLE AND LIABILITIES				
I.	NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES	-	-	-
II.	CURRENT AMOUNTS PAYABLE AND LIABILITIES			
II.1.	Amounts payable to suppliers	2.008	-	2.008
II.2.	Advances received	18	-	18
II.3.	Salary and related liabilities	16.656	-	16.656
II.4.	Other accounts payable and current liabilities	8.292	-	8.292
		26.974	-	26.974
TOTAL EQUITY AND LIABILITIES		92.085	-	92.085

(Continued on next page)

The total result of the above mentioned corrections to the comparative information of 2010 is as follows (continued):

Performance statement For the year ended 31 December 2010	Before restatement	Change in accounting policy	As restated
I. REVENUE	485.631		485.631
II. EXPENSES			
COST OF SERVICES RENDERED	311.217	199.708	510.925
EXPENSE COMPENSATION (-)	(151.474)	7.364	(144.110)
OPERATING EXPENSES	318.524	(199.708)	118.816
Costs of public events	106.093	(106.093)	-
Salary and related expenses, attributed to administration	94.954	(65.756)	29.198
Business trip expenses	32.632	(16.966)	15.666
Accounting and audit services	15.306	-	15.306
Marketing expenses and gifts	11.377	(5.204)	6.173
Communication expenses	7.267	-	7.267
Representation expenses	6.881	(5.605)	1.276
Car rent and maintenance expenses	6.870	-	6.870
Office expenses	4.862	-	4.862
Changes in foreign currency exchange rate, net	4.292	-	4.292
Bank services	1.482	-	1.482
Depreciation	61	-	61
Interest expenses	37	-	37
Membership expenses in other organizations	-	-	-
Rent of premises expenses	-	-	-
Other operating expenses	26.410	(84)	26.326
	478.267	7.364	485.631
III. PROFIT BEFORE INCOME TAX	7.364	(7.364)	-
IV. INCOME TAX	-	-	-
V. NET PROFIT	7.364	(7.364)	-

(Concluded)

8. Contingencies and commitments

At 31 December 2011 and 2010 the Association was not involved in any legal proceedings that in management's opinion would have a material impact on the financial statements.

At 31 December the Association's car operating lease future liabilities were:

	2011	2010
Within a year	29.040	-
In the second to fifth year	55.660	-
Total	84.700	-

9. Post balance sheet events

No significant events have occurred after the date of financial statements and before the approval of financial statements.



Kristian Kaas Mortensen
President



Božena Rakovska
Accountant, Scandinavian Accounting and Consulting
UAB

CORPORATE MEMBERS

BALTIC CORPORATE MEMBERS



CORPORATE MEMBERS





BALTIC INSTITUTE
OF CORPORATE
GOVERNANCE

LEADING THE WAY IN CORPORATE GOVERNANCE

Baltic Institute of Corporate Governance delivers value to its stakeholders
by promoting global competitiveness of Baltic companies through
adoption of leading Corporate Governance practices.

Baltic Institute of Corporate Governance is an internationally recognized driver
of best practice Corporate Governance in the Baltic region.

www.corporategovernance.lt
www.corporategovernance.lv
www.corporategovernance.ee