

BALTIC
— INSTITUTE —
OF CORPORATE GOVERNANCE

Annual Report
2014



Mission

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

Contents

Message from the Board

Message from the President

Key developments and achievements

Honorary members

Mission, Vision and Values

Structure of the Institute

2014 financial statements and auditor report

Dear Stakeholders,

To stay competitive we must improve even further and to bridge the gap between the governance in the Nordics and other EU member states and the Baltic countries.

The Baltic States are making rapid progress towards installing the best corporate practices in private businesses and state-owned enterprises, but there are still challenges to be overcome.

To stay competitive we must improve even further and to bridge the gap between the governance in the Nordics and the Baltic countries.

During the last five years, our Baltic Institute of Corporate Governance became an internationally recognized driver of best practice Corporate Governance development in the Baltic region, with more than 100 Baltic members and strong involvement from the Baltic business and political leaders.

In 2013 Latvia was invited to start admission procedure to join the OECD and last year we saw positive developments towards the best world-class corporate governance practices as set in the OECD guidelines. Lithuania was putting efforts to converge with the best corporate governance standards as well even though the country is not in official negotiations regarding the membership in the OECD.

Fundamentally, Corporate Governance refers to a set of systems, principles and processes by which a company is governed. There is a level of confidence that is associated with good corporate governance practices set in the company. Corporate governance is known to be one of the criteria which foreign institutional investors are increasingly depending on when deciding on which companies to

invest in. To stay competitive all companies in Baltics should strive to have high level of corporate governance. These days it is not enough for the company to be merely profitable, it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices.

Looking forward we will continue our work to raise Baltic corporate Governance standards, to seek active engagement with our stakeholders and to provide inspiration for change.

Sonata Matulevičienė

Chair of the Board

A woman with blonde hair, wearing a dark blazer, is speaking into a microphone. The image is overlaid with a semi-transparent orange filter. The word "Engaging" is written in white serif font across the middle of the image.

Engaging

Since 2009 the Baltic Institute of Corporate Governance has set the agenda for Corporate Governance development in Estonia, Latvia and Lithuania.



Active

The Institute organises events and education programmes, issues publications and guidelines for private as well as public sector in order to reach our mission.

Dear Members, Graduates and Stakeholders,

Our members and active supporters empower
the Institute to carry its mission in raising
awareness in corporate governance
in the region.

Last year we celebrated the fifth anniversary of the Baltic Institute of Corporate Governance. Since establishment of the Institute we have gathered a strong business community around our mission to promote the best corporate governance practices in Estonia, Latvia and Lithuania.

The Institute is well recognized internationally and our opinion is appreciated by organizations like the OECD. We actively contributed with Lithuanian, Latvian and Estonian experiences to the discussions of the OECD Working Party on State Ownership and Privatization Practices where the OECD Guidelines on Corporate Governance of State-Owned Enterprises were reviewed. Subject to OECD member countries approval the new edition of the guidelines should give more specific recommendations for governments on the

best governance practices in managing state-owned enterprises.

Last year our members had an opportunity to participate in Oslo business delegation where participants had a chance to learn more about corporate governance practices in Norway. Also numerous events took place over the year and there were possibilities to exchange own experiences and findings in corporate governance field.

In 2014 we organized 2 executive education programmes for professional board members and currently we have over 340 graduates from the programme. Last year we also had an honour to hand over graduation diplomas to the 10th class of professional board members.

In 2015 we will deliver refreshed executive education programme for professional board members. We will offer to our members a possibility to deepen their knowledge in board leadership by attending chairman's education programme. Also there will be opportunities for our members to network during events as well as to listen to international corporate governance practices during business delegation trip.

I would like to express my gratitude to our members and active supporters who empower the Institute to carry its mission in raising awareness in corporate governance.



Paulius Martinkus

President

Key development and achievements

The Institute is well recognized internationally and our opinion is appreciated by organizations like the OECD.

The Baltic Institute of Corporate Governance is an internationally recognized driver of the best corporate governance practices in the Baltic region. We carry our vision by organizing for our stakeholders various events and education programmes where participants can learn from others, network with likeminded pairs and share own experiences on corporate governance practices.

Below we present the key developments and achievements of the Institute over 2014.

In February the Baltic Institute of Corporate Governance took part in the round table discussion in Paris organized by the OECD on the revision of the OECD Guidelines on Corporate Governance of State-Owned Enterprises. The Institute was among a few non-governmental organizations recognised by the Working Party on State Ownership and Privatization Practices and was invited to give perspectives of recent developments in corporate governance in the region.





In March we upheld the 4th Annual General Meeting where we had over 100 participants

In March we upheld the 4th Annual General Meeting where we had over 100 participants. Sir Suma Chakrabarti, President of the European Bank for Reconstruction and Development opened the afternoon session with a video greeting to the Institutes members. Among the guest speakers we had State Secretary of the Ministry of Finance of Sweden, Chairman of Denmark COOP, Chairman of Danish Corporate Governance

Committee, Chairman of IOD from UK. The awarding of honorary memberships to H.E. Norwegian Ambassador Leif Arne Ulland, H.E. Swedish Ambassador Cecilia Ruthström-Ruin, and H.E. British Ambassador David Hunt for their outstanding support and cooperation with the Institute throughout the years marked the conclusion of the conference.

In April Swedish Embassy in Vilnius hosted Business Journalist education, which was organized and delivered by the Institute. Close to twenty business journalists from Latvia and Lithuania had a chance to get more familiar with corporate governance principles and recent developments. Educating journalists is part of our mission to promote and raise awareness on corporate governance in the Baltics.



NATO air-policing mission in Šiauliai, Lithuania

In April our members had an opportunity to network in unconventional environment – to explore the NATO air-policing mission in Šiauliai, Lithuania.

In April the Baltic Institute of Corporate Governance visited Kiev to share success story of giving a kick-start to the reform of state owned enterprises in Lithuania. Transparency, good corporate governance practices and competent management of state-owned enterprises does not require capital investments yet it can result in substantial income to the state budget from dividend yields.



30 members and graduates of the Institute attended the delegation to Oslo

In May we have organized the 9th executive education for professional board members and surpassed 300 graduates in the Baltic region.

In June we organized a business delegation to Oslo where we visited DNB, Hoegh LNG, Norges Bank Investment Management, State Ownership department under the Ministry of Trade, Industry and Fisheries, Selvaag and Norwegian Stock Exchange. 30 members and graduates of the Institute attended the delegation.



Fifth anniversary of the Baltic Institute of Corporate Governance

In August we invited our members, graduates and friends to celebrate the fifth anniversary of the Baltic Institute of Corporate Governance.

In September the Institute has participate in the second round of discussions regarding revision of the OECD Guidelines on Corporate Governance of State-Owned Enterprises. The revised version of the guidelines will be presented for members of the Working Party on State Ownership and Privatisation Practices in March 2015.



We invited our previous graduates to thank Raoul Hasselgren

In November the Institute organized already the 10th executive education for professional board members. On this occasion we invited our previous graduates to thank Raoul Hasselgren for his contribution to the promotion of corporate governance in the Baltics. Also Advisor to the President of Lithuania together with US and Swedish ambassadors to Lithuania gave speeches during the event.

Honorary members

Each year the Board of the Baltic Institute of Corporate Governance awards honorary membership to people who have done a considerable contribution to the Association.

In 2015 honorary membership was awarded to:

- Kristian Kaas Mortensen, Co-founder and the president of the BICG from 2009 until 2014

In 2014 honorary membership was awarded to:

- H.E. David Hunt British Ambassador to Lithuania
- H.E. Cecilia Ruthström-Ruin Swedish Ambassador to Lithuania
- H.E. Leif Arne Ulland Norwegian Ambassador to Lithuania

In 2013 honorary membership was awarded to:

- Mr. Carl Berneheim, Co-founder of BICG and BICG Board member from 2009 until 2013

In 2012 honorary membership was awarded to:

- Mr. Phil Armstrong, Head, IFC/Global Corporate Governance Forum

In 2011 honorary membership was awarded to:

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



Our Mission, Vision and Values

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 the best corporate governance practices in the Baltic region.

VALUES

Trust, Integrity and Excellence

MEMBERS

Nomination
Committee

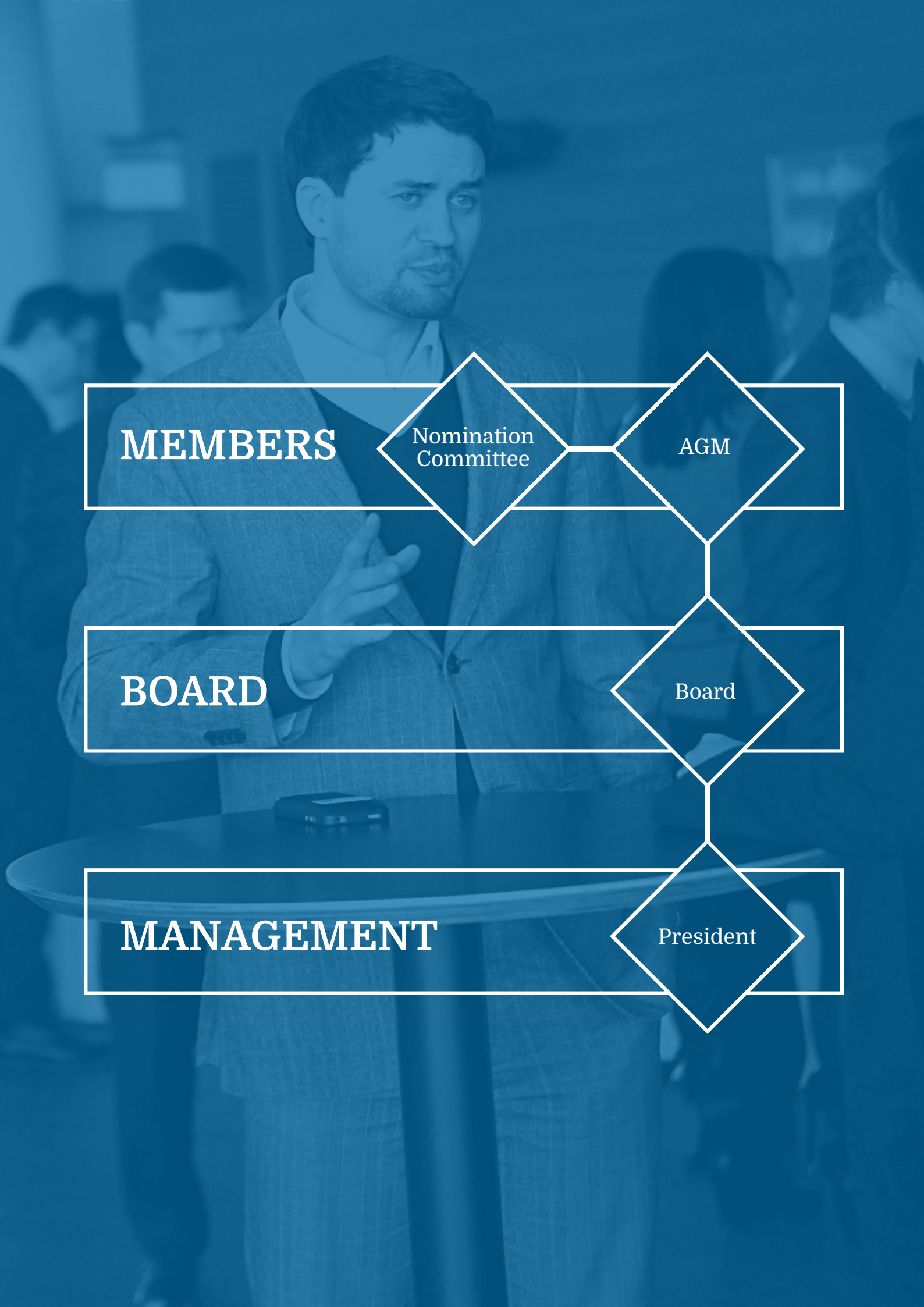
AGM

BOARD

Board

MANAGEMENT

President



Annual General Meeting

The Institute's Annual General Meeting will be held on Thursday, 26 March 2015 at Swedbank, Konstitucijos pr. 20A, Vilnius.

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

BICG has two forms of membership: individual and corporate. Any person who has graduated the BICG executive education for professional board members or chairman's certificate 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 2015 Baltic members pay an annual membership fee of 3 000 Euro. In 2015 National corporate members will pay an annual membership fee of 1 000 Euro. In 2015 Annual General Meeting it is proposed to approve new membership status – Development corporate membership. Development corporate members support the Institute in its organizational development. In 2015 Develop-

ment corporate members will pay an annual membership fee of 5 000 Euro.

Each member has one vote at the general meeting. BICG individual members and representatives of corporate members are eligible for the BICG Board positions. The Annual General Meeting (AGM) every year will elect three members to serve on the Nomination Committee who will do the selection of and propose to the AGM candidates for the Board positions.

The Board

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



CHAIRMAN

Sonata Matulevičienė



Arminta Saladžienė
Member of the Board



Uldis Bikis
Member of the Board



Linas Dičpetris
Member of the Board



Erkki Raasuke
Member of the Board



Antanas Zabulis
Member of the Board



Daiga Auzina-Melalksne
Member of the Board



Darius Maikstenas
Member of the Board



Ilona Nurmela
Member of the 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 Board of BICG typically holds 8-10 meetings per year,

one of these meetings is 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 receives no remuneration for their work.

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, but attends Board meetings.



President

Paulius Martinkus

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 2014.

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 KPMG.

In our opinion the financial statements give a true and fair view of the Institute’s financial position at 31 December 2014 and of the results of the Institute’s operations for the financial year 2014.

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, March 25, 2015.

Management of the BICG

Paulius Martinkus, President



Board of the BICG

Sonata Matulevičienė, Chair of the Board



Antanas Zabulis, Member of the Board

Arminta Saladžienė, Member of the Board



Daiga Auzina-Melalksne, Member of the Board



Darius Maikštėnas, Member of the Board



Erkki Raasuke, Member of the Board



Ilona Nurmela, Member of the Board



Linas Dičpetris, Member of the Board

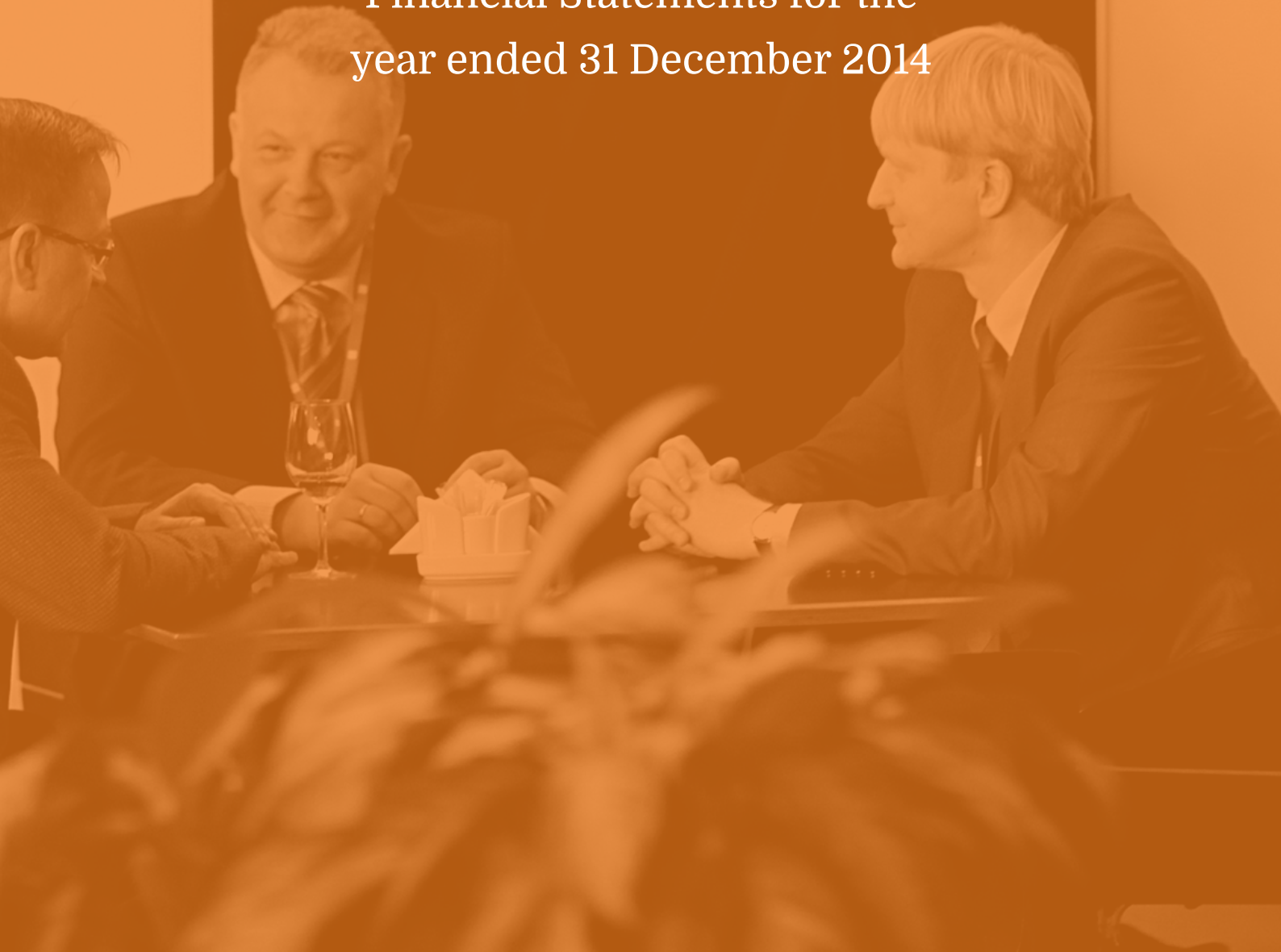


Uldis Bikis, Member of the Board



ASSOCIATION BALTIC INSTITUTE OF CORPORATE GOVERNANCE

Independent Auditor's Report and
Financial Statements for the
year ended 31 December 2014





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Independent Auditor's Report

To the members of Association Baltic Institute of Corporate Governance

We have audited the accompanying financial statements of Association Baltic Institute of Corporate Governance (hereinafter "the Association"), which comprise the balance sheet as at 31 December 2014, the performance statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5-10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Order No. 1K-372 of the Minister of Finance of the Republic of Lithuania dated 22 November 2004 on Approval of Rules of Accounting and Preparation and Submission of Financial Statements of Non-Profit Limited Civil Liability Legal Entities, and for such internal control as management determines is necessary to enable the preparation of the 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 judgement, 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 as at 31 December 2014, and of its financial performance for the year then ended in accordance with Order No. 1K-372 of the Minister of Finance of the Republic of Lithuania dated 22 November 2004 on Approval of Rules of Accounting and Preparation and Submission of Financial Statements of Non-Profit Limited Civil Liability Legal Entities.

On behalf of KPMG Baltics, UAB

Vilmantas Karalius
Certified Auditor

Vilnius, the Republic of Lithuania
27 February 2015

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

| | Notes | 2014 | 2013 |
|---|----------|----------------|----------------|
| ASSETS | | | |
| A. NON-CURRENT ASSETS | | | |
| I. INTANGIBLE ASSETS | | - | - |
| II. PROPERTY, PLANT AND EQUIPMENT | | 4.547 | 7.844 |
| III. FINANCIAL ASSETS | | - | - |
| | | 4.547 | 7.844 |
| B. CURRENT ASSETS | | | |
| I. INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS | | 1.815 | 2.004 |
| II. ACCOUNTS RECEIVABLE WITHIN ONE YEAR | | 29.462 | 45.864 |
| III. OTHER CURRENT ASSETS | | - | - |
| IV. CASH AND CASH EQUIVALENTS | | 268.366 | 339.373 |
| | | 299.643 | 387.241 |
| TOTAL ASSETS | | 304.190 | 395.085 |
| 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 year | | 53.994 | 53.994 |
| | | 53.994 | 53.994 |
| D. FINANCING | | | |
| I. Contributions | | - | 5.000 |
| II. Membership fees | | 240.486 | 260.017 |
| III. Other contributions | | - | - |
| | 3 | 240.486 | 265.017 |
| E. ACCOUNTS PAYABLE AND LIABILITIES | | | |
| I. NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES | | - | - |
| II. CURRENT ACCOUNTS PAYABLE AND LIABILITIES | | | |
| II.1. Accounts payable to suppliers | | 1.680 | 13.422 |
| II.2. Advances received | | 5 | - |
| II.3. Salary and related liabilities | | - | 53.925 |
| II.4. Other accounts payable and current liabilities | | 8.025 | 8.727 |
| | | 9.710 | 76.074 |
| TOTAL EQUITY AND LIABILITIES | | 304.190 | 395.085 |

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

These financial statements were approved on 27 February 2015 and signed by:


Paulius Martinkus
President


Božena Michailova
Accountant, Scandinavian Accounting and Consulting UAB

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

| | Notes | 2014 | 2013 |
|---|-------|----------------|----------------|
| I. REVENUE | | | |
| Income from executive education programs | | 524.826 | 874.243 |
| Income from other projects | | - | 15.003 |
| Used financing | | 179.313 | 14.468 |
| Other income | | 1.598 | - |
| | | 705.737 | 903.714 |
| II. EXPENSES | | | |
| COST OF SERVICES RENDERED | 4,5 | 531.567 | 741.485 |
| OPERATING EXPENSES | | 174.170 | 162.229 |
| Accounting and audit services | | 37.439 | 41.630 |
| Salary and related expenses, attributed to administration | | 34.594 | 19.799 |
| Car rent and maintenance expenses | | 31.356 | 33.876 |
| Rent of premises | | 22.200 | 20.410 |
| Business trip expenses | | 19.108 | 10.522 |
| Communication expenses | | 7.674 | 9.996 |
| Depreciation | | 3.297 | 2.323 |
| Bank services | | 1.919 | 2.644 |
| Office expenses | | 1.118 | 3.066 |
| Changes in foreign currency exchange rate, net | | 563 | 1.627 |
| Representation expenses | | 562 | 1.539 |
| Marketing and gifts | | 297 | 2.429 |
| Other operating expenses | | 14.043 | 12.368 |
| | | 705.737 | 903.714 |
| 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 27 February 2015 and signed by:



Paulius Martinkus
President



Božena Michailova
Accountant, Scandinavian Accounting and Consulting UAB

BALANCE SHEET AS OF 31 DECEMBER 2014

(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 in 2014 and two employees in 2013.

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 flows statement.

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 based on the cost of an asset less its estimated residual value. 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 tangible fixed asset | Useful lives |
|------------------------------------|--------------|
| IT and telecommunication equipment | 3 years |

At the end of every 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.

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

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 revenue account "Used financing" in the Performance statement (according to the Order No. 1K-371 of Finance Minister of the Republic of Lithuania dated 5 November 2012 regarding the change of 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").

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 and matching principles in the reporting period when income related to these expenses was earned, irrespective of the time the money was paid.

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

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 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.

As of 31 December, applicable rates used for principal currencies were as follows:

| 2014 | 2013 |
|---------------------|---------------------|
| 1 EUR = 3,4528 LTL | 1 EUR = 3,4528 LTL |
| 10 SEK = 3,6246 LTL | 10 SEK = 3,8492 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 per cent tax rate if revenue received from commercial activities does not exceed one million LTL, while the remainder of the taxable income - by 15 per cent tax rate. If revenue from commercial activities exceeds 1 million LTL, all taxable income is taxed at 15 per cent tax rate.

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2013 and 2014; 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 events that are not adjusting events are disclosed in the notes when material.

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

3. Financing

At December 31, membership fees and contributions were as follows:

| 2014 | | | | |
|-------------------------------------|----------------|---------------|-----------------|-----------|
| | Membership fee | Contributions | Other financing | Total |
| Balance at 1st of January | 260.017 | 5.000 | - | 265.017 |
| Receipts | 155.528 | (746) | - | 154.782 |
| Usage | (175.059) | (4.254) | - | (179.313) |
| Closing balance at 31st of December | 240.486 | - | - | 240.486 |

| 2013 | | | | |
|-------------------------------------|----------------|---------------|-----------------|----------|
| | Membership fee | Contributions | Other financing | Total |
| Balance at 1st of January | 116.692 | - | - | 116.692 |
| Receipts | 157.793 | 5.000 | - | 162.793 |
| Usage | (14.468) | - | - | (14.468) |
| Closing balance at 31st of December | 260.017 | 5.000* | - | 265.017 |

*Contribution amount is related to the project of 2014.

4. Cost of services rendered

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

| | 2014 | 2013 |
|------------------------------|---------|---------|
| Executive education programs | 404.305 | 535.307 |
| Other projects | 127.262 | 206.178 |
| Total expenses | 531.567 | 741.485 |

BALANCE SHEET AS OF 31 DECEMBER 2014

(LTL, unless otherwise stated)

5. Cost of educational programs rendered

For the years ended 31 December, cost of educational programs and executive education programs rendered consisted of the following:

| Cost of services rendered | 2014 | 2013 |
|------------------------------------|----------------|----------------|
| Payroll expenses | 242.155 | 296.971 |
| Hotel/Education premises | 87.696 | 114.301 |
| Lectors fee | 84.557 | 174.687 |
| Seminars material/Handout | 52.728 | 68.524 |
| Speakers travel and other expenses | 13.134 | 25.938 |
| Catering services | 13.121 | 0 |
| Lectors travel and hotel expenses | 12.872 | 28.744 |
| Transportation costs | 11.348 | 4.311 |
| Travelling expenses | 4.868 | 5.045 |
| Video&Pictures + Hotel | 4.160 | 16.415 |
| Representation costs | 2.730 | 4.769 |
| Marketing and gifts | 2.198 | 1.780 |
| Total | 531.567 | 741.485 |

6. Remuneration to management

Remunerations to management for the years ended 31 December:

| | 2014 | 2013 |
|--|---------|---------|
| Salary expenses not including contributions for social insurance | 211.275 | 193.862 |
| Average annual number of managers | 1 | 1 |

There was no Remuneration or Gratuitous assets transferred for Board members for the year 2014.

7. Contingencies and commitments

At 31 December 2014 and 2013, the Association was not involved in any legal proceedings that in management's opinion would have a material impact on the financial statements.

8. Post balance sheet events

On 1 January 2015, the Republic of Lithuania joined the euro zone and the Lithuanian national currency Litas was replaced by the euro. As a result, the Association converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

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



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