




BALTIC  
— INSTITUTE —  
OF CORPORATE GOVERNANCE

# 2016

ANNUAL  
REPORT

The background is a complex, abstract geometric pattern composed of numerous overlapping triangles and polygons in various shades of blue, from light sky blue to deep navy blue. A prominent, solid orange diagonal band cuts across the upper half of the image, serving as a backdrop for the text.

The problems we have today cannot  
be solved by thinking the way we  
thought when we created them.

Albert Einstein



# Report

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**Daiga Auziņa-Melalksne**  
Chair of the Board

# Dear MEMBERS AND PARTNERS,

I am pleased to say that 2016 was an ambitious and successful year for the Baltic Institute of Corporate Governance (BICG). The importance of our work towards strengthening corporate governance practices in the Baltics is increasingly recognised by practitioners in both private and public sectors.

Since the beginnings of BICG, understanding of the impact that good corporate governance can have on businesses and economies has grown significantly among the leaders and influencers in the Baltics. Top executives and non-executives appreciate that it can improve the competitiveness of their business and lead to better financial results, effective risk governance and access to funding needed for company growth. Shareholders and investors can be satisfied with better company valuation, safety of investments, trust of stakeholders and improved reputation. In the end, good governance positively affects overall business environment in our region, including transparency practises, sustainable business conduct and reputation of all three countries.

BICG continues to lead in this positive change, at the same time keeping in a close contact with the Organization for Economic Co-operation and Development (OECD), both regarding the membership of Latvia that has now been officially welcomed into the organization, and the accession process of Lithuania that is set to conclude in the nearest future.

In regard to public policies, last year BICG was involved in drafting guidelines and law amendments to help make new and better rules for ensuring improved governance of SOEs. We have also participated in nomination processes to find professional independent board members for Latvian and Lithuanian SOEs, setting some excellent examples for applying the best corporate governance standards in practice.

At the same time, a number of high-quality events organized by the BICG for our members, partners and wider business community have also contributed to the spreading awareness on the many benefits of good corporate governance that now positively affect more and more businesses in the Baltics.

We are looking forward to continuing our work, to building and broadening corporate governance knowledge of the Baltic business community and policy makers. Thank you for being with us.

A blue ink handwritten signature, appearing to read 'Daiga Auziņa-Melalksne', with a stylized flourish at the end.

**Daiga Auziņa-Melalksne**  
Chair of the Board



**Rytis Ambrazevičius**  
President

# Dear STAKEHOLDERS,

Now for nearly eight years, BICG has been working to build a reliable foundation for good corporate governance in the Baltics. We are happy and proud to have done our part in the process that is now set to see all three Baltic countries in the Organization of Economic Co-operation and Development (OECD). This is a great and critical achievement, and we are looking forward to seeing all the positive effects it will have on our region.

However, it is important to note that far from being the finish line, this should be a new start for our countries and businesses. All the necessary tools are available for us to get to work with renewed confidence, and ensure that all positive changes become permanent and go even further.

I am happy to say that the community of BICG continues to grow and lead by example and that the year 2016 was a very active year in our history. We have made a great effort to ensure that the best standards of corporate governance are better reflected in public policies and spread among private businesses.

An illustrative example of the increasing scope and scale of our activities is the rapidly growing number of our graduates, who continue to come from ever more varied industries and backgrounds.

We are also encouraged by the rising level of public discussion, which indicates that the positive impact corporate governance can have on businesses and economies is becoming realised not only in the forward thinking business community and among a growing number of policy makers, but also among different stakeholders, who could soon become a significant additional force for positive change in their own right.

As we face opportunities ahead, I want to thank everyone for their support and dedication to promoting best corporate governance practices in the Baltics.

A blue ink handwritten signature of Rytis Ambrazevičius, featuring a stylized, flowing script.

**Rytis Ambrazevičius**  
President

# Key DEVELOPMENTS & ACHIEVEMENTS

## POLICY

**Guidelines for the selection process of Supervisory Board Members in Latvian SOEs were published by the BICG**, with step-by-step instructions for how to approach the process, create successful Nomination Committees, define the requirements for potential candidates and ensure good communication with all stakeholders. These recommendations were taken into account by the Latvian Government, which amended the respective bylaws in September 2016 and approved official guidelines in March 2017.



**Further advice on improving governance of SOEs were provided to the Latvian government**, as BICG assisted in drafting government guidelines for SOEs and their shareholding ministries, related to transparency and disclosure, mid-term strategies to balance financial and nonfinancial objectives, assessment of results as well as other topics. These guidelines are now officially approved and used by SOEs in their daily operations.



**Professional, independent boards at the Latvian power company Latvenergo and Lithuanian energy holding company EPSO-G were created with the guidance of BICG**, and can now be referred to by other companies as very good examples for applying the best selection standards in practice. In case of the Supervisory Board of Latvenergo, BICG provided detailed advice and participated in the Nomination Committee. After 80 candidates from 10 countries were assessed, Ministry of Economy confirmed the Supervisory Board which is fully independent. In case of EPSO-G, BICG assisted in drafting the nomination procedures for both the Supervisory Board and the Board, and participated in the Nomination Committee for the former. The selection process concluded with the half of selected members being independent.







**Recommendations for the corporate governance of the project Rail Baltica were introduced by the BICG**, during the Rail Baltica Governance Conference 2016, organized in cooperation with the Representation of the European Commission in Latvia, the Latvian Ministry of Transport and the advisory firm KPMG. BICG defined five pillars for Rail Baltica corporate governance, including effective governance structure and effective use of resources. In a subsequent letter to the Baltic Prime Ministers BICG strongly encouraged adhering to the best internationally recognized corporate governance principles in implementing one of the most ambitious projects in the region. We continue to follow the project.



**Recommendations for re-organization of Lithuanian state owned companies that currently hold a special status** were provided by BICG, as we participated in the working group created by the Lithuanian Government for this purpose. After a series of meetings with the representatives of the said companies, the official suggestions were drafted and passed to the Lithuanian Government. As of spring 2017, all recommendations were being considered by the respective shareholding ministries, in their preparation of implementation plans.



Recommendations regarding the **law regulating companies that are deemed to have a strategic importance to national security** in Lithuania were provided by the BICG, to improve the initial proposal by the Ministry of Economy, which had a potential to weaken the boards and diminish the role of independent board members in said companies. As of spring 2017, the process of finalising the respective amendments was ongoing.



**Protection of minority shareholders rights in Lithuania** was in focus last year, as we encouraged an open dialog regarding the necessary improvements among the related institutions, and provided an input regarding the respective law amendments.

Building on our experience with the Vilnius city municipality, **benefits of good governance and of having independent members on the boards of MOEs were presented to other Lithuanian municipalities**, including Klaipėda, Alytus and Šiauliai. We have also participated in the governance conference, organized in Druskininkai by UAB Ekonominės konsultacijos ir tyrimai, the Association of Local Authorities and others, and attended by the Lithuanian mayors and heads of administration.



We continue to be in close **contact with the Organisation for Economic Co-operation and Development (OECD)**, regarding corporate governance related developments in the Baltics.



## EDUCATION AND EVENTS

Conference **Best Corporate Governance Practices of SOEs in Sweden** was organised this January by BICG and Business Sweden in Stockholm, where the Swedish Ministry of Enterprise and Innovation as well as top level representatives of Swedish SOEs shared their knowledge and experience with the participants from the Latvian, Lithuanian, Estonian SOEs and their shareholding ministries.



**Anti-Bribery workshop for the compliance and business community** was held in March together with **TRACE International**, an international non-profit promoting commercial transparency worldwide. It provided an opportunity to hear from senior compliance executives representing multinational and local companies across industries.



**Annual General Meeting and Governance Conference 2016** were held in April, with Mr Simon Walker, Director General of the Institute of Directors in the UK, among the speakers.





Apply yourself. Get all the education you can, but then, by God, do something. Don't just stand there, make it happen.

Lido Anthony Iacocca

**Informal independent board members club** was started by BICG in Lithuania in May, as a series of seminars for independent board members working in SOEs and MOEs on such topics as responsibilities and liabilities of board members, governance of risk, etc. In Latvia, BICG ran an induction seminar for all new Supervisory Board members (independent and others) of Latvian SOEs, organized by Cross-Sectoral Coordination Centre, which is the coordinating entity for Latvian SOEs.



**Risk Management Conference** with the focus on hiring and motivating a CEO, and on the relationship between a CEO, company board and shareholders was organized in October in Vilnius, together with the Swedish Chamber of Commerce and Cobalt law firm, and attracted nearly 100 participants.



Conference **Corporate Governance as a Driver for Economic Development** was organized in Riga this December, together with the Latvian Ministry of Justice, Nasdaq Riga, law offices Eversheds Bitāns and Cobalt, and Latvian Court Administration, attracting over 100 participants. It was the concluding event for a series of four other expert discussions on corporate governance and the keynote speaker of the conference was Mr Daniel Blume, Senior Policy Analyst at OECD, who introduced a preliminary version of the OECD paper on corporate governance in Latvia.



Two **Professional Board Member Education** sessions were held last year, both in spring and in autumn, bringing the total number of graduates to nearly 500.



## COMMUNITY



**Strengthening of the BICG community** continued throughout the year, as we welcomed 12 new corporate and nearly 30 new individual members, with the total numbers growing to 44 and 118 respectively.



**New website of BICG** was unveiled last year, and we invite you to visit at [www.bicg.eu](http://www.bicg.eu), as well as to subscribe to BICG news on social networks.



**LinkedIn:**



**Facebook:**



# Our MISSION, VISION AND VALUES

## MISSION

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

## VALUES

### Integrity

Honesty and high moral principles in all we do.

### Excellence

The highest standards are applied by us and for us.

### Transparency

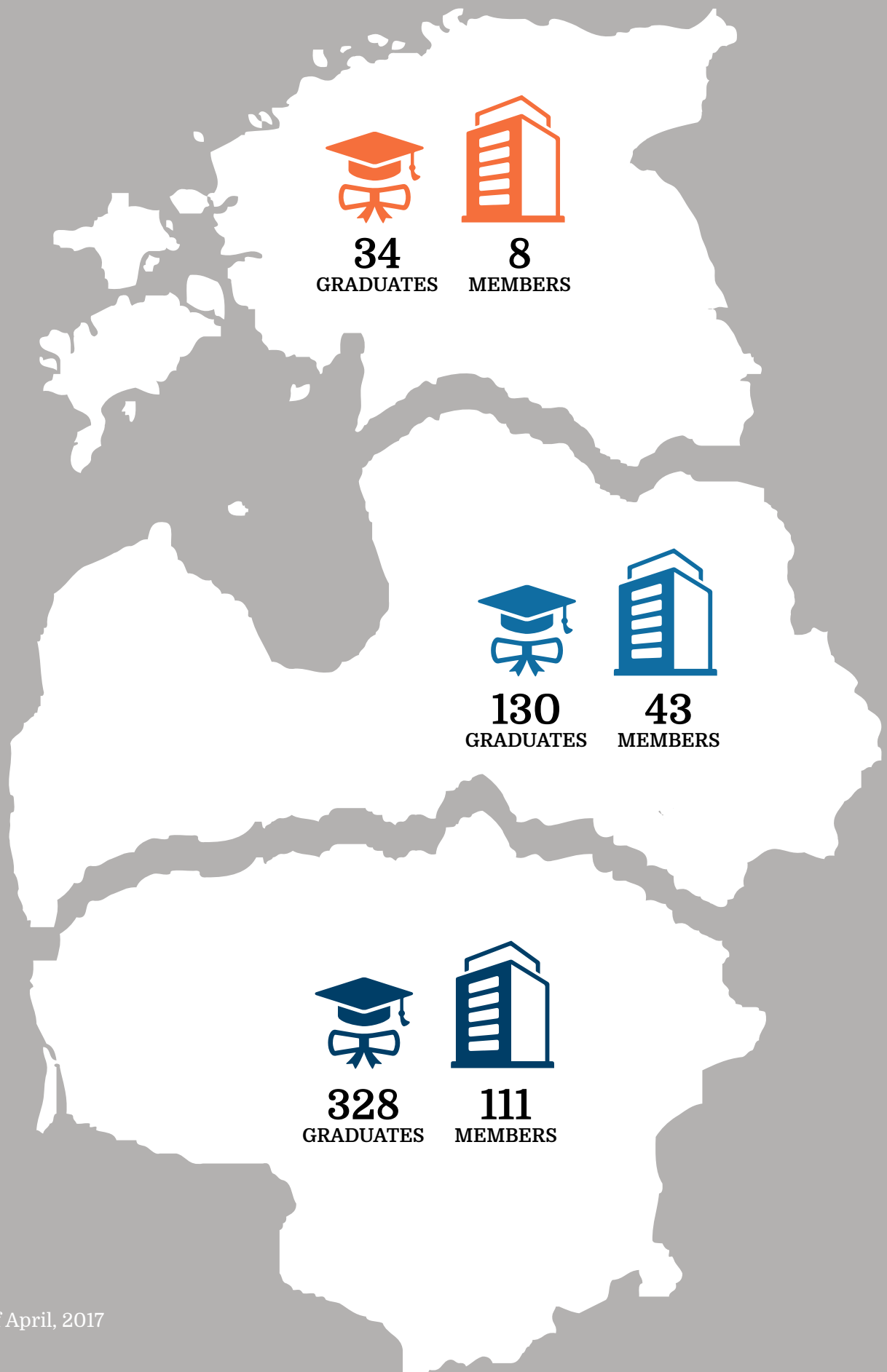
Clear communication about what we do, why we do it and how we do it.

### Leadership

Challenging the status quo and driving the necessary change.

## VISION

Baltic Institute of Corporate Governance and its community are locally and internationally recognized drivers of the best corporate governance practices in the Baltic region.



As of April, 2017

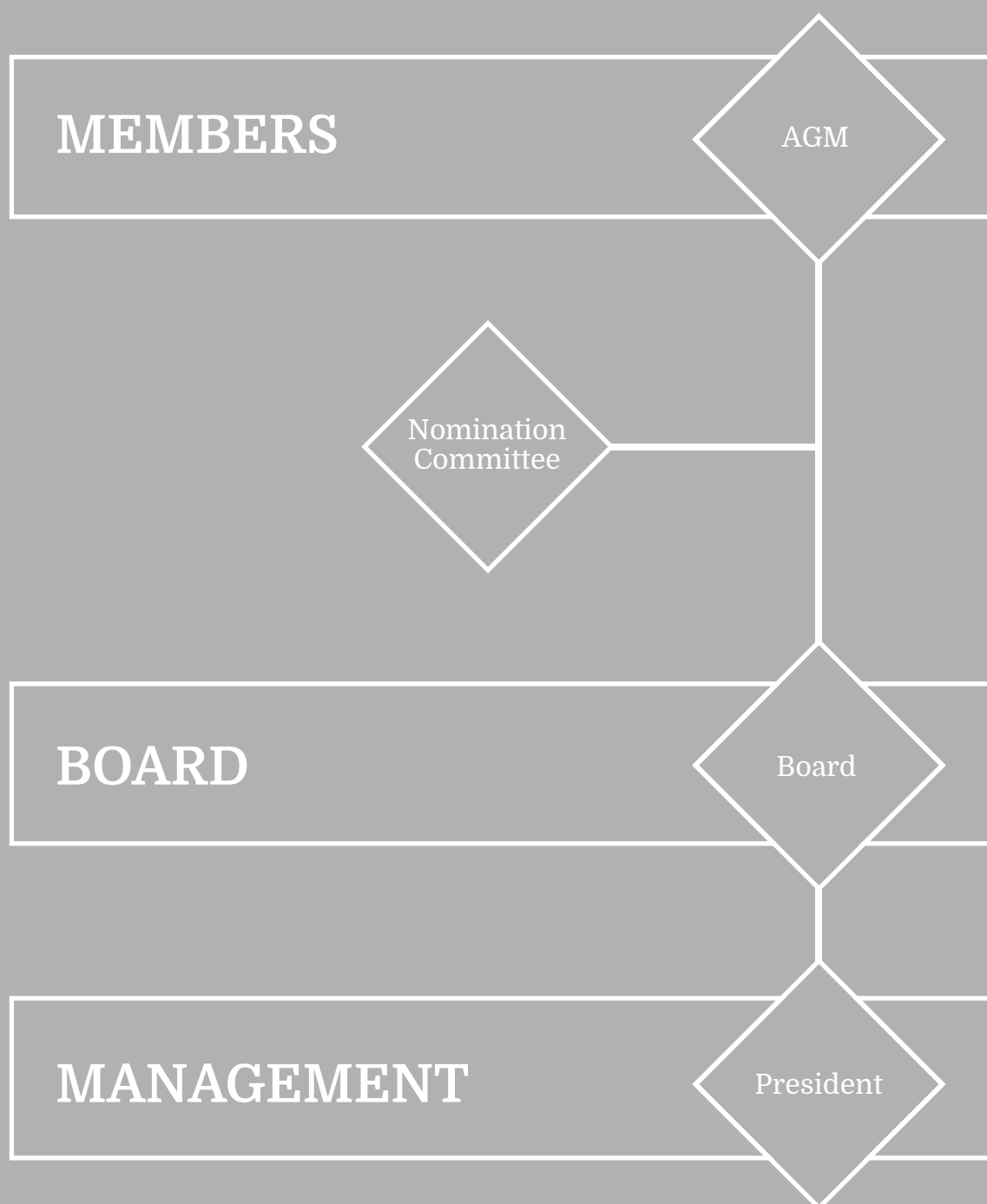


We should all be concerned about the future, because we will have to spend the rest of our lives there.

Charles F. Kettering

# Structure

## OF THE BICG



# Annual

## GENERAL MEETING

Baltic Institute of Corporate Governance (BICG) is an association governed by its members who convene for their Annual General Meeting (AGM) no later than the 1st of May every year.

Relationship between members, Board, management and other stakeholders is regulated in the bylaws of the association that are publicly available on BICG website.

BICG has two categories of membership: individual and corporate.

Any person who has graduated BICG education for professional board members or chairpersons is eligible to be an individual member. Individual members pay an annual membership fee of 100 Euro.

Corporate members must be approved by the Board of BICG. Companies that support an active corporate governance agenda in the Baltics are invited to join in one of the three membership categories. Development corporate members pay an annual membership fee of 5.000 Euro, Baltic corporate members pay an annual membership fee of 3.000 Euro, and National corporate members pay an annual membership fee of 1.000 Euro.

Each member has one vote at the AGM. Every year, the AGM will elect three members to serve on the Nomination Committee, with a responsibility to select and propose candidates to serve on the Board. Both individual members and representatives of corporate members are eligible for Nomination Committee and Board positions.

# The BOARD



**Daiga Auziņa-Melalksne**  
Chair of the Board



**Guntars Baļčūns**  
Member of the Board



**Uldis Biķis**  
Member of the Board



**Linas Dičpetris**  
Member of the Board



**Indrek Hääl**  
Member of the Board



**Riina Kāi**  
Member of the Board



**Arminta Saladžienė**  
Member of the Board



**Kęstutis Šliužas**  
Member of the Board



**Antanas Zabulis**  
Member of the Board (suspended)

The Board is elected by the members at the Annual General Meeting (AGM) and has nine members. Each member is elected individually, for a tenure of 3 years. At the end of their tenure, Board members step down, but may be re-elected.

Recommendations for electing and re-electing Board members are made by the BICG Nomination Committee, based on the requirements set out for the Board composition and rotation in the bylaws and best practice guidelines of BICG that are available on BICG website.

The Board supervises the performance of the Institute, its management and organization on behalf of the members and participates in determining the organization strategy. The Board typically meets every six weeks, with one of the meetings during the year being devoted to developing the BICG strategy.

In between its ordinary meetings, the Board receives written information on the activities of the Institute, and extraordinary meetings or consultations can be convened, if necessary.

No members of the Board are involved in the executive management of the Institute, and no member receives remuneration for their work.

# Management TEAM



**Rytis Ambrazevičius**  
President



**Andris Grafs**  
Country Manager Latvia

The management of the Baltic Institute of Corporate Governance has responsibility for the daily operations of the Institute and is supervised by the Board. Members of the management team do not serve on the Board of the Institute, but they are invited to attend Board meetings.



# Management AND BOARD STATEMENT

The Board of the Baltic Institute of Corporate Governance have discussed and approved the Annual Report of the Institute for 2016.

The financial statements in this annual report have been prepared in accordance with the Lithuanian Law and have been audited by KPMG.

In our opinion, the financial statements give a true and fair view of the financial position of the Institute on the 31st of December, 2016, and of the results of the operations of the Institute for the financial year 2016.

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

Vilnius, April 19, 2017

## Management of the BICG

Rytis Ambrazevičius

President



## Board of the BICG

Daiga Auziņa-Melalksne

Chair of the Board



Guntars Baļčūns

Member of the Board



Uldis Bīķis

Member of the Board



Linas Dičpetris

Member of the Board



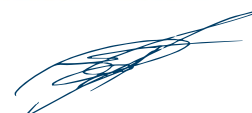
Indrek Hääl

Member of the Board



Riina Käi

Member of the Board



Arminta Saladžienė

Member of the Board



Kęstutis Šliužas

Member of the Board



Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance.

Mervyn King



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Website: kpmg.com/lt

## Independent Auditor's Report

To the Members of Association Baltic Institute of Corporate Governance

### Opinion

We have audited the financial statements of Association Baltic Institute of Corporate Governance ("the Association"), which comprise the balance sheet as at 31 December 2016, the performance statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2016, and its financial performance for the year then ended in accordance with Order No. 1 K-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.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Order No. 1 K-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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Vilmantas Karalius.

On behalf of KPMG Baltics, UAB



**Vilmantas Karalius**

Certified Auditor

Vilnius, the Republic of Lithuania


14 March 2017

## BALANCE SHEET AS OF 31 DECEMBER 2016

(EUR, unless otherwise stated)

		Notes	2016	2015
ASSETS				
A.	NON-CURRENT ASSETS			
I.	INTANGIBLE ASSETS		128	-
II.	PROPERTY, PLANT AND EQUIPMENT		936	1.020
III.	FINANCIAL ASSETS		-	-
			1.064	1.020
B.	CURRENT ASSETS			
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	1	1.262	10.211
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR		6.612	7.446
III.	OTHER CURRENT ASSETS		-	-
IV.	CASH AND CASH EQUIVALENTS		147.040	101.914
			154.914	119.571
TOTAL ASSETS			155.978	120.591
EQUITY, FINANCING AND LIABILITIES				
C.	EQUITY			
I.	CAPITAL		-	-
II.	REVALUATION RESERVE		-	-
III.	OTHER RESERVES		-	-
IV.	OPERATING RESULT			
IV.1.	Operating result of the reporting year		-	-
IV.2.	Operating result of the previous year		-	-
			-	-
D.	FINANCING			
I.	Grants		-	-
II.	Contributions		-	-
III.	Other contributions			
IV.	Membership fees		140.045	104.911
V.	Other financing		-	-
			140.045	104.911
E.	ACCOUNTS PAYABLE AND LIABILITIES			
I.	NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES		-	-
II.	CURRENT ACCOUNTS PAYABLE AND LIABILITIES			
II.1.	Trade payables		1.247	1.715
II.2.	Received prepayments		773	245
II.3.	Employment related liabilities		7.080	3.570
II.4.	Deferred Income		2.900	7.820
II.5.	Other accounts payable and current liabilities		3.933	2.330
			15.933	15.680
TOTAL EQUITY, FINANCING AND LIABILITIES			155.978	120.591

The accompanying explanatory notes are an integral part of these financial statements.  
 These financial statements were approved on 13 March 2017 and signed by:

  
**Rytis Ambrazevičius**  
 President

  
**Vidmantas Milius**  
 Accounting manager, Scandinavian Accounting and Consulting UAB



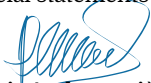
# PERFORMANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

	Notes	2016	2015
<b>I. REVENUE</b>			
Income from executive education programs		220.604	121.000
Income from other projects		18.864	6.248
Financing Income		48.316	49.739
Other income		12	780
		<b>287.796</b>	<b>177.767</b>
<b>II. EXPENSES</b>			
COST OF SERVICES RENDERED	3, 4	211.491	122.925
OPERATING EXPENSES		76.305	54.842
Accounting and audit services		12.863	11.241
Car rent and maintenance expenses		3.049	3.039
Rent of premises		6.430	6.430
Salary and related expenses, attributed to administration		37.300	22.214
Other operating expenses		8.410	3.410
Business trip expenses		4.924	4.627
Communication, postal expenses		1.330	1.082
Office expenses		301	125
Bank services		277	269
HR, management recruitment		-	796
Depreciation		556	600
Changes in foreign currency exchange rate, net		-	279
Representation expenses		865	730
		<b>287.796</b>	<b>177.767</b>
<b>III. OPERATING RESULT BEFORE TAX</b>		-	-
<b>IV. INCOME TAX</b>		-	-
<b>V. NET OPERATING RESULT</b>		-	-

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

These financial statements were approved on 13 March 2017 and signed by:

  
Rytis Ambrazevičius  
President

  
Vidmantas Milius  
Accounting manager, Scandinavian Accounting and Consulting UAB

# EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, 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.

The Association employed 3 employees in 2016 and (4 employees as of 31 December 2015)

## 2. Accounting policies

### Basis of preparation

The financial statements are prepared in accordance with the Law on Accounting of Lithuania and Order No. IK-372 of the 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.

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 are prepared and presented in euros.

The Association is not required to and does not prepare a cash flow 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 exceeds the minimum value set for each asset group.

Depreciation is computed using the straight-line method over the estimated useful live of the related asset. Depreciation expenses are charged to the operating expenses In the performance statement.

Property, plant and equipment with the acquisition value over EUR 290 and useful live of more than one year are capitalized.

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

Property, plant and equipment depreciation periods:

### Group of property, plant and equipment

IT and telecommunication equipment

### Useful lives

3 years

At the end of every year the Association reviews the estimated useful life, the carrying amount and depreciation method of non-current assets and the changes in accounting estimates and judgments, if any, are recognised 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, 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, are incurred. Contributions are recognised 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 a primary financing source to compensate related expenses. When project is finished, unused funding is, in accordance with agreed conditions in the contract, either recognised 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, are used and those funds are not sufficient to compensate the costs 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 Order No. 1K-371 of the Finance Minister of the Republic of Lithuania dated 5 November 2012 regarding the change of Order No. 1K-372 of the 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.

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

### 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.

During the reporting period the expenditure of the Association are recognised as expense of the reporting period, if it 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 the performance statement. Other expenses, not directly attributable to projects, are classified as operating expenses in the performance statement.

The salary expenses directly attributable to projects are classified as costs of services rendered in the performance statement. The salary expense, which is not directly attributable to projects, is classified as operating expenses in the performance statement.

### Foreign currencies

Transactions denominated in foreign currency are translated into EUR 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 translated at the exchange 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 recognised 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:

2016	2015
1 EUR = 9,5585 SEK	1 EUR = 9,1878 SEK

### Income tax

The Association does not calculate income tax as it did not receive any income as a result of commercial activity 2015 and 2016 and all activities were related to satisfaction of the public interest.

### 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. Other subsequent events are disclosed in the notes when material.

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

### 3. Notes

#### 1. Prepayments and contacts in progress

At 31 December prepayments and contracts in progress consisted of the following:

	2016	2015
Prepayments for suppliers	1.084	8.368
Deferred charges	178	1.445
Other prepayments	-	398
<b>Total</b>	<b>1.262</b>	<b>10.211</b>

#### 2. Financing

At 31 December membership fees and contributions were as follows:

	2016			
	Membership fee	Contributions	Other financing	Total
Balance as of 1 January	104.911	-	-	104.911
Receipts	78.450	-	5.000	83.450
Usage	(43.316)	-	(5.000)	(48.316)
<b>Closing balance as of 31 December</b>	<b>140.045</b>	<b>-</b>	<b>-</b>	<b>140.045</b>

	2015			
	Membership fee	Contributions	Other financing	Total
Balance as of 1 January	85.288	-	-	85.288
Receipts	69.362	-	-	69.362
Usage	(49.739)	-	-	(49.739)
<b>Closing balance as of 31 December</b>	<b>104.911</b>	<b>-</b>	<b>-</b>	<b>104.911</b>

#### 3. Cost of services rendered

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

	2016	2015
Executive education programs	101.300	85.139
Other projects	110.191	37.786
<b>Total</b>	<b>211.491</b>	<b>122.925</b>



## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

### 4. Cost of educational programs rendered

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

Cost of services rendered	2016	2015
Payroll expenses	90.501	58.565
Hotel/Education premises	32.056	22.659
Lectors fee	27.717	18.786
Seminars material/Handout	24.182	12.586
Catering services	16.901	879
External project cost	13.786	3.500
Lectors travel and hotel expenses	2.000	3.127
Travelling expenses	1.689	1.528
Representation expenses	1.206	220
Speakers travel and other expenses	644	-
Video&Pictures + Hotel	293	223
Marketing and gifts	262	170
Transportation costs	254	682
<b>Total</b>	<b>211.491</b>	<b>122.925</b>

### 5. Remuneration to management

Remunerations to management for the year ended 31 December:

	2016	2015
Salary expenses not including contributions for social insurance	45.301	39.828
Average annual number of managers	1	1

In 2016, there were no other transactions between the Association and its manager and its members of the Board except for ordinary remuneration payable to the Association's manager according to labour agreement.

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

(EUR, unless otherwise stated)

### 6. Contingencies and commitments

As of 31 December 2016 and 2015, the Association was not involved in any legal proceedings, which, in the management's opinion, would have a material impact on the financial statements.

### 7. Significant operating lease commitments

The Association with a legal person has entered into a long-term office space operating lease. The one-year lease services price is EUR 7.780.

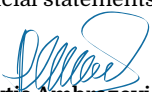
### 8. Related parties

The Association in 2016 did not have any transactions with related parties. Management's remuneration is presented in note 5.

### 9. Subsequent events

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

*The accompanying explanatory notes are an integral part of these financial statements.*  
These financial statements were approved on 13 March 2017 and signed by:

  
**Rytis Ambrazevičius**  
President

  
**Vidmantas Milius**  
Accounting manager, Scandinavian Accounting and Consulting UAB

The background is an abstract composition of various geometric shapes, primarily triangles and polygons, in shades of blue and teal. A prominent dark blue diagonal band runs across the upper half. In the lower right, there is a large, solid orange parallelogram that serves as a container for text.

The time is always ripe to do right.

Nelson Mandela



**BALTIC**  
— INSTITUTE —  
OF CORPORATE GOVERNANCE

# Association Baltic Institute of Corporate Governance

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