



**BALTIC**  
— INSTITUTE —  
OF CORPORATE GOVERNANCE

# 2017

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ANNUAL  
REPORT

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# Report

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# Dear

## members and partners,



The recent years have proved to be the years of a lesser predictability, both on the scale of some of the largest world economies deviating from their anticipated course and on the scale of separate industries and businesses having to adapt to an environment of ever more frequent disruptions.

Among these new challenges and opportunities, good corporate governance remains a key tool in ensuring a long-term business success, bringing a reinforced focus on strategic thinking and risk anticipation to the Board agenda.

Some of the most recent changes in the leading European corporate governance codes also include a new responsibility for the Boards, which can be summed up as engaging with wider stakeholders and considering a wider role a company plays in society.

These examples highlight that competencies needed for Board work are evolving. To be competitive, the Baltic directors and companies need to actively strive for the best standard.

Therefore, we are happy to see best corporate governance practices come into focus for more private businesses. While in the previous years it was the state-owned companies that underwent major changes in their governance to fulfill the requirements of the Organisation for Economic Co-operation and Development (OECD), we now see a significantly increased interest from private businesses that are aiming to ensure sustainable growth, planning an international expansion and trying to attract new investors.

With the rapidly growing interest in the BICG education programs as well as intensive policy work, last year was one of our most active years in Latvia and Lithuania.

While we are working towards increasing our presence in Estonia, the previous year was the first year with equal country representation on the BICG Board. Latvia, Lithuania and Estonia are now represented by three Board members each.

We are only as strong as our community, and as the BICG remains in the forefront of promoting best corporate governance practices in the Baltics, I thank our members and partners for their support.

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

A handwritten signature in blue ink, appearing to read 'Daiga' followed by a stylized flourish.

# Dear

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## members,



Last year was yet another year of growth for the BICG community, as the number of our members continued to increase. We are happy and grateful, as our members serve as our ambassadors and their voices help scale up the conversation about the importance of good corporate governance for the Baltic businesses and economies.

With this growing support, we were able to make significant achievements during the very active previous year.

Improvements in the law detailing the definition of an independent Board member in Lithuanian state-owned and municipality-owned companies as well as new disclosure requirements for all state-owned enterprises in Latvia are just some of the many highlights of our policy work.

In addition to two Board member education sessions that continue to have no comparable analogue in the Baltics, we have held a Chair education course in Stockholm, with the participation of many experienced local practitioners who shared their knowledge about a professional and effective Board leadership.

As we made the effort to bring a wider circle of stakeholders into the conversation, one of the other key events of the year was the conference on the governance of state-owned companies, organized at the Lithuanian Parliament, with the participation of the OECD, Lithuanian lawmakers, state-owned and municipality-owned enterprises as well as private business professionals. First of its kind, it provided a great opportunity to review current practices and consider ways for advancement.

The co-operation with the OECD remained in focus throughout the year, as we provided commentaries regarding the ongoing governance developments in the Baltics.

To promote best practices among the Baltic companies, the BICG has also developed a Corporate Governance Assessment Tool, allowing to assess companies' corporate governance against international benchmarks and provide recommendations for improvements. First evaluations were started by the BICG in Lithuania and Latvia, providing new insights into corporate governance state of play in Baltic companies.

As we are looking forward to new challenges and opportunities ahead, I want to thank you for championing our work and for your commitment to our mission.

**Rytis Ambrazevičius**  
President

# Key

## developments & achievements

### PROJECTS

**1** To promote best corporate governance practices among the Baltic companies, the BICG has developed a **Corporate Governance Assessment Tool** that allows to assess companies' corporate governance practices against international benchmarks and best standards. As a result, companies can identify their strengths, weaknesses and develop comprehensive plans for improvement. First evaluations were started by the BICG in Lithuania and Latvia, providing new insights into corporate governance state of play in Baltic companies.



### POLICY

**2** **Commentaries for the Organisation for Economic Co-operation and Development (OECD)** continued to be provided by the BICG, as relates to corporate governance developments in the Baltics. Among other things, our remarks were reflected in the *Note by the OECD Secretariat on Latvia's implementation of corporate governance accession review recommendations*. A meeting between the representatives of the OECD and independent board members working in Lithuanian SOEs was organised by the BICG as well, to discuss current SOEs governance practices.



**3 Recommendations for the law amendments regarding the selection of board members in Lithuanian SOEs and MOEs** were provided by the BICG, markedly improving the definition as to who can be called an independent board member. It is important to note that this same regulation also requires for no less than a half of all board members in Lithuanian SOEs and MOEs to be independent, a significant increase from the previous threshold of one third. Good progress has been made in achieving this new quota, however, there also were some delays and we continue to follow the situation.

**4 Recommendations for the amendments to SOEs governance law in Latvia** were made by the BICG, resulting in new disclosure requirements for all SOEs (to disclose information on board members, statutes and board charter). Our input has also helped to limit an amendment, which was set to allow shareholder meetings to decide on many matters that belong to the competence of management boards. The draft law received governmental approval and was later passed into law by the Latvian Parliament.



**5 Improvements to the governmental guidelines on remuneration of SOEs board members** were suggested by the BICG to the Cross-sectoral Coordination Center, which is the governmental coordinating entity for SOEs in Latvia. As a result, the new and improved guidelines were published, introducing a clear methodology for how to set fixed and variable parts of remuneration for members of management boards.

**6 Amendments to the Latvian competition law**, meant to limit undue involvement by the state and municipalities in business activities as well as to increase the powers of the Competition Authority in investigating such cases and stopping related actions, were reviewed by the BICG, on request of the Latvian Ministry of Economy. While no political agreement has been reached in this regard yet, our advocacy work does continue.



**7 Recommendations to what extent (if at all) the Lithuanian Government should participate in 40 SOEs** (AB and UAB) were made by the BICG, as we participated in the working group created by the Lithuanian Government for this purpose, similarly to the group that BICG was participating in previously, when it was evaluated if the state owned companies with special status should be reorganised into other legal forms.

**8 Commentary regarding charity and donation guidelines for the SOEs in Lithuania** was provided to the Ministry of Economy. We were encouraged to observe that the subsequent governmental decisions were largely in line with these recommendations.

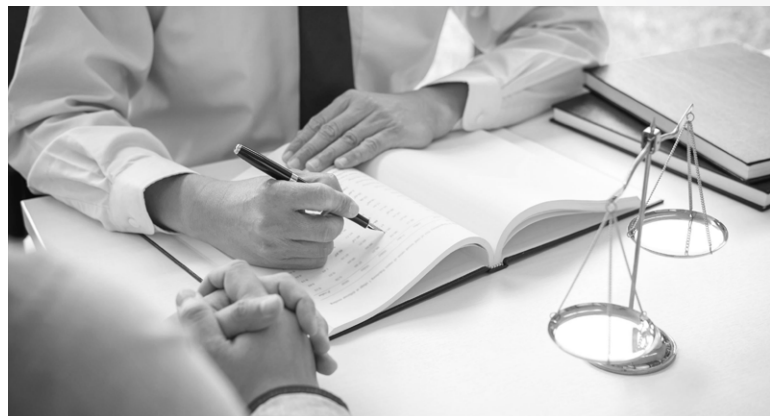


**9 Consultation on corporate governance of RB Rail** was provided by the BICG to the company, as a written comment on the role balance between the management and the supervisory board, including the recommendation to have publicly disclosed management board and supervisory board charters.



## 10

BICG was officially awarded the **status of an observer of the Coordination Committee (CC)** by the Latvian Government. CC advises the Latvian Cross-sectoral Coordination Center in coordinating the governance of SOEs, and the status of an observer gives the BICG an ability to view and comment on all policy proposals and guidelines that are being considered by CC.



## 11

**Recommendations to the Latvian Government on further development of the governance of SOEs** were submitted to the Prime Minister at the end of the year, including suggestions to improve SOEs strategies and setting of objectives, to ensure their competitive neutrality in the marketplace, to improve the effectiveness and independence of supervisory boards, to increase transparency and disclosure, to make amendments in remuneration policies. Before the submission, these recommendations were discussed during the BICG Latvian members workshop held in June.

# Objectives

- 1.
- 2.
- 3.
- 4.

## 12

**Commentaries for various state institutions**, including Lithuanian and Latvian ministries, continue to be provided by the BICG on request, regarding such corporate governance related matters as competence and selection of supervisory and management boards, cross-subsidies, remuneration, etc.



**13** Continuing to advise on the organization of the **nomination processes for the companies of public interest**, the BICG participated in the nomination of a new CEO at Riga Freeport, CEO and CFO at Latvian Radio as well as CEO and management board member of Sadales tīkls, a subsidiary of Latvenergo.



## EDUCATION AND EVENTS

**14** Corporate governance experience sharing event with **airBaltic**, which has successfully underwent a major shift in governance policies during the last few years, was held in January.

**15** Discussion on the **Impact of Disinformation: Strategy Adjustment & Risk Governance for Business** was organized in February, in co-operation with the NATO Strategic Communications Center of Excellence, European Commission Representation in Latvia, American Chamber of Commerce and Latvijas Finieris.



**16** Public discussion on the **SOEs governance reform in Latvia** was organized in April, together with the think-tank Providus and Transparency International Latvia. A research made by Providus with an input by the BICG for analysing the progress in implementing the objectives defined in SOEs governance reform back in 2012 was unveiled during the discussion.

**17 Annual General Meeting and Governance Conference 2017** were held in April, with Mr Angel Gurría, Secretary-General of the OECD, welcoming the participants, via video. “Improving corporate governance in these times, when public trust in governments and corporations is at record low levels, is even more important, and that is why I am delighted that we share this conviction,” said Mr Gurría.



**18 Two Professional Board Member Education** sessions were held last year, one in spring and one in autumn, bringing the total number of the BICG graduates to over 500. Mr Arvils Ašeradens, Latvian Minister of Economics and Deputy Prime Minister, and Ms Dana Reizniece-Ozola, Latvian Minister of Finance, joined us for the graduation events.

**19 Discussion on improving the definition of an independent board member and their role in SOEs** was held in September in Latvia, with the participation of the BICG members and such stakeholders as the Cross-sectoral Coordination Center, Ministry of Justice and the Financial and Capital Market Commission, the bank regulator in Latvia.



**20 First meeting of a non-formal board members club in Latvia** was held in September. Supervisory board members from private companies and SOEs discussed their role in developing a company strategy and monitoring its implementation. **In Lithuania, non-formal independent board members club** for independent board members working in SOEs and MOEs continued its meetings for a second year, analysing such topics as transparency, accountability, etc.

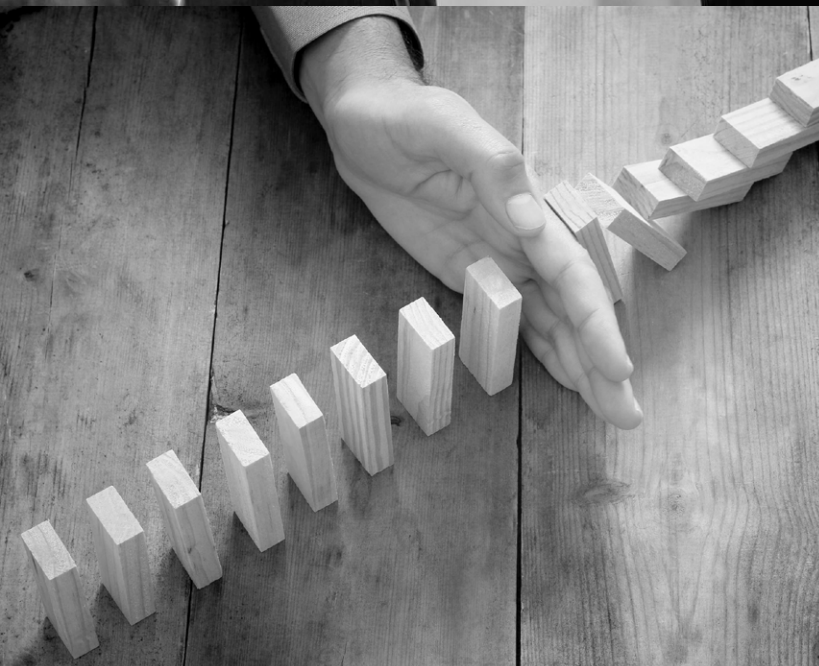
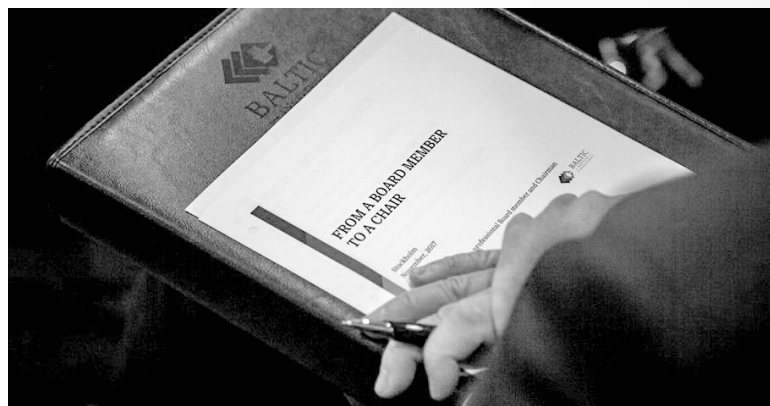
**21** **4<sup>th</sup> annual Risk governance conference** was organized in Vilnius in October, together with the Swedish Chamber of Commerce in Lithuania and Cobalt law office, focusing on cyber risks as well as what business owners, Board members and top managers should know about coping with the rapidly changing digital environment.



**22** **Conference on the Governance of SOEs in Lithuania** was organized at the **Lithuanian Parliament** by the BICG, in cooperation with the Committee on Economics of the Seimas, the Ministry of Economy and the Ministry of Foreign Affairs of Lithuania. With the participation of the OECD, Lithuanian lawmakers, representatives of state and municipality owned enterprises as well as private business professionals, it gave an excellent opportunity to review current SOEs governance practices and to consider ways for continued improvement, attracting over 150 attendees in total.



**23** **Chair education course** was held in November in Stockholm, where we were hosted by East Capital, SEB, Nasdaq, Swedbank; and welcomed Mr Fredrik Persson, Chair of the Swedish Trade Federation, and Mr Lars O Grönstedt, former CEO and Chair of Handelsbanken, among the many experienced speakers who shared their knowledge about an effective board leadership.



**24** **Two-day course on corporate, finance and risk governance** was held in Riga in November, together with KPMG Latvia and SEB bank, with an emphasis on the relationship between attracting financial investors, good financial reporting and good corporate governance.

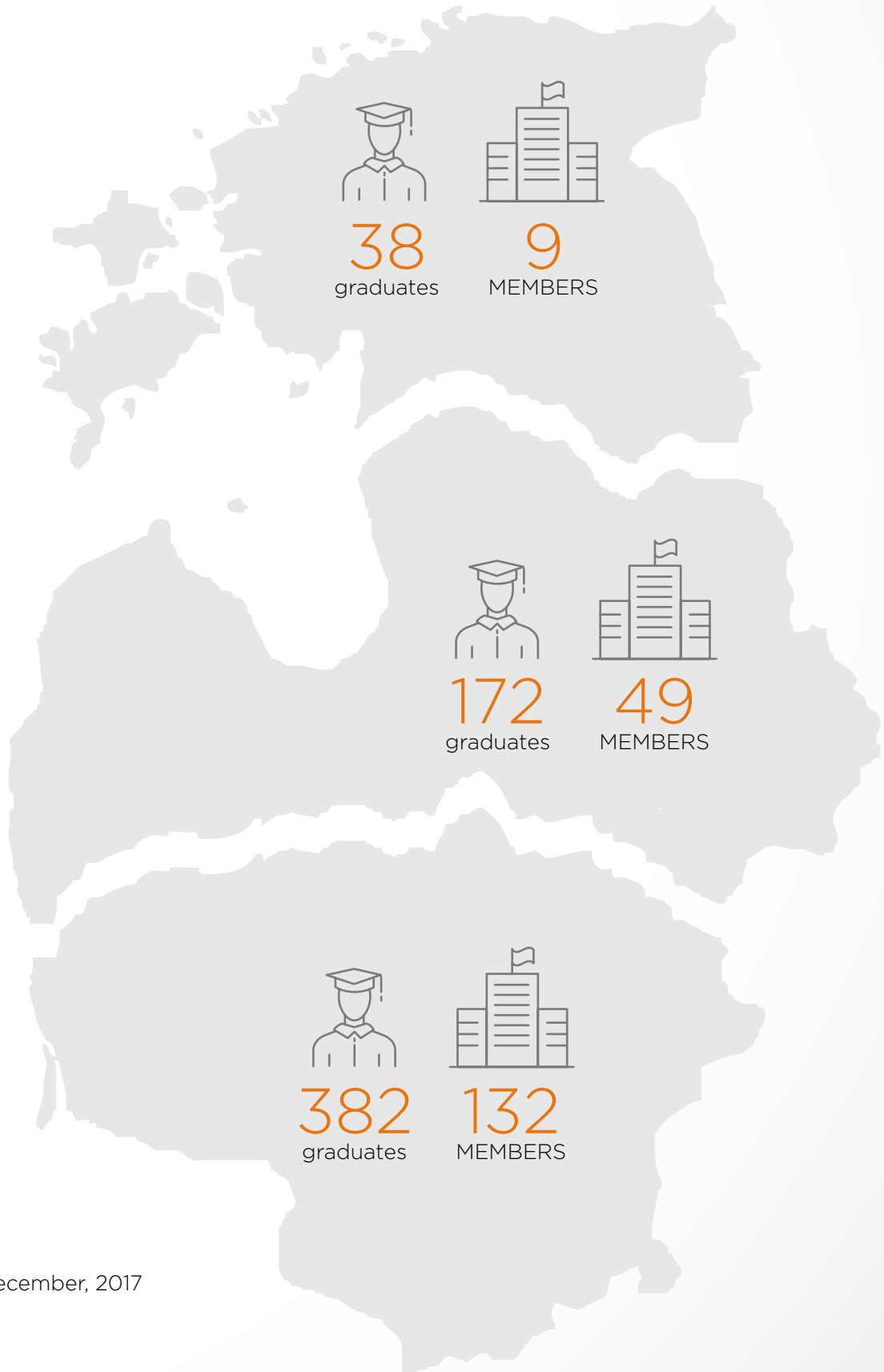
**25** Conference at the Lithuanian Parliament on the reform of state-owned forestry companies; 12<sup>th</sup> annual Risk Management Conference in Tallinn; conference on leadership in public sector Celtspēja in Liepaja; discussion on proper governance of SOEs and MOEs in Riga; conference LawPro for law professionals and 4th annual conference on the Efficient Management of State-owned Assets in Vilnius were among the events we participated in as speakers, promoting best corporate governance practices among the business leaders and policy makers.



## COMMUNITY

**26** **BICG community continued to grow,** as we welcomed new corporate and individual members, with the total numbers growing from 44 to 46 and from 118 to 144, respectively.





As of December, 2017

# Mission

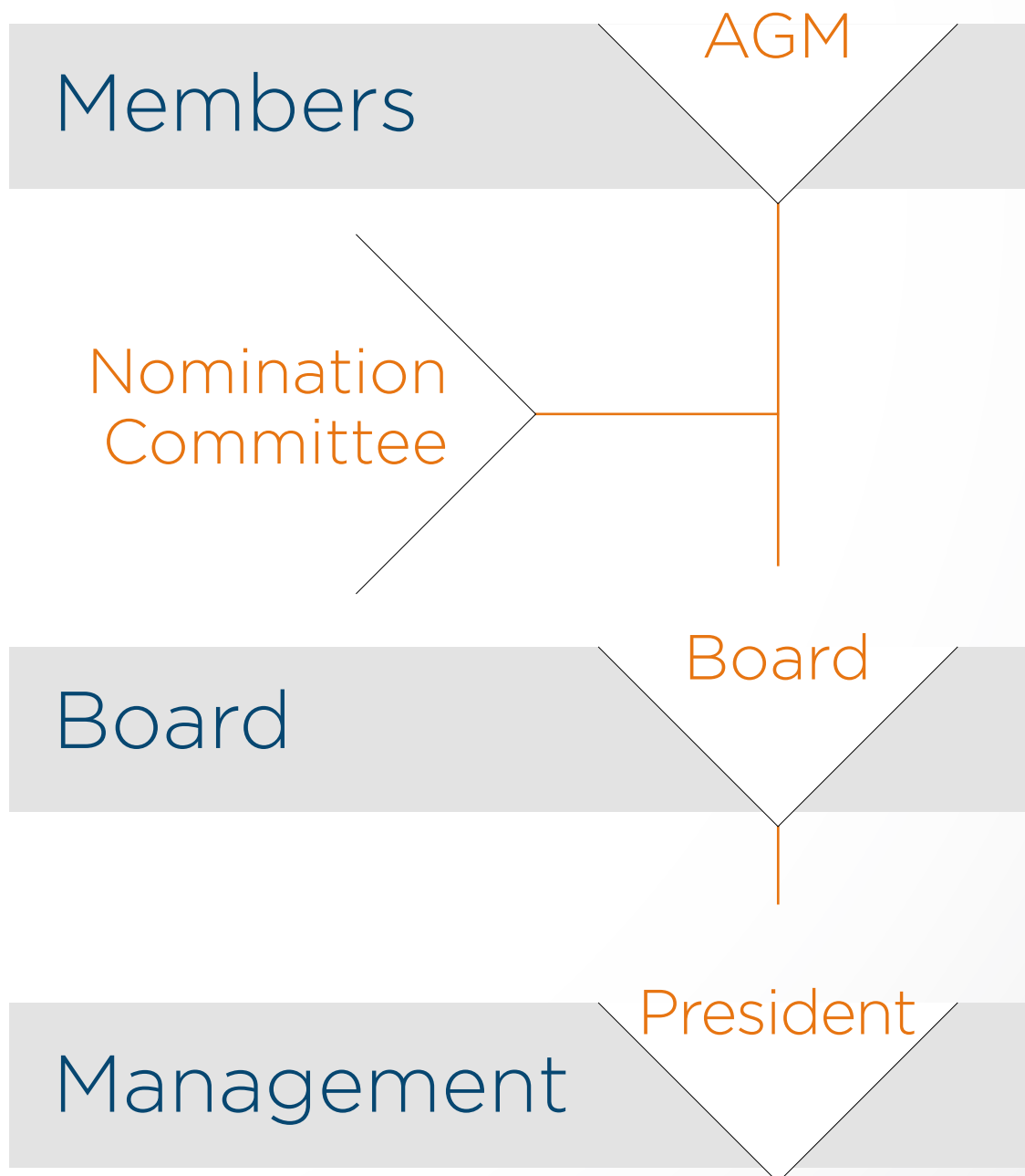
## vision and values



# Structure

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## of the BICG



# Annual

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## General Meeting

BICG is an association governed by its members who convene for their Annual General Meeting (AGM) by the 1<sup>st</sup> of May every year.

AGM is the topmost decision-making body, approving annual activity reports, financial statements, electing Board members.

Each member of the BICG has one vote at the AGM.

Otherwise, there are two main membership categories, individual and corporate.

Any person who has graduated from the BICG professional board member education course is eligible to become an individual member. Individual members pay annual membership fee of 100 EUR.

Corporate members are companies that support an active corporate governance agenda in the Baltics. Their membership applications are first considered and then decided on by the Board of the BICG. There are three categories of corporate membership, depending on the level of support. Development corporate members pay an annual membership fee of 5.000 EUR, Baltic corporate members pay an annual membership fee of 3.000 EUR, and National corporate members pay an annual membership fee of 1.000 EUR.



# The Board



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



**Guntars Baļčūns**  
Member of the Board



**Kārlis Danēvičs**  
Member of the Board



**Indrek Hääl**  
Member of the Board



**Riina Kāi**  
Member of the Board



**Lina Minderienė**  
Member of the Board



**Irmantas Norkus**  
Member of the Board



**Kaarel Ots**  
Member of the Board



**Kęstutis Šliužas**  
Member of the Board

The Board supervises the performance of the BICG, its management and guides the organization strategy.

Members of the Board are elected by the Annual General Meeting. Each of the nine members 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 Nomination Committee, based on the requirements set out for the Board composition and rotation in the bylaws and best practice guidelines of the BICG.

Best practice guidelines aim for Board diversity, encouraging balance of competencies, equal country representation, gender diversity.

Board meetings are typically held every six to eight weeks, including a strategy session held once a year.

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

# Management

## team



**Rytis Ambrazevičius**  
President



**Andris Grafs**  
Vice President Latvia

The management of the BICG is responsible for the daily operations and is supervised by the Board. Members of the management team do not serve on the Board of the BICG, but they are invited to attend Board meetings.

# Management

## and Board statement

The Board of the BICG has discussed and approved the Annual Report of the BICG for the year 2017.

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, these financial statements give a true and fair view of the financial position of the BICG on the 31<sup>st</sup> of December, 2017 as well as of the results of the operations of the BICG for the financial year 2017.

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

March 13, 2018

### Management of the BICG

Rytis Ambrazevičius      President



### Board of the BICG

Daiga Auziņa-Melalksne      Chair of the Board



Guntars Baļčūns      Member of the Board



Kārlis Danēvičs      Member of the Board



Indrek Hääl      Member of the Board



Riina Kāi      Member of the Board



Lina Minderienė      Member of the Board



Irmantas Norkus      Member of the Board



Kaarel Ots      Member of the Board



Kęstutis Šliužas      Member of the Board



# Independent

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## 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"). The Association's financial statements comprise:

- the balance sheet as at 31 December 2017,
- the performance statement for the year then ended,
- the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2017, 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.

### 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 Financial Statements 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 of the financial statements that give a true and fair view 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 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.

On behalf of KPMG Baltics, UAB



Vilmantas Karalius  
Certified Auditor  
Vilnius, the Republic of Lithuania  
6 March 2018

	Notes	2017	2016
<b>ASSETS</b>			
<b>A. NON-CURRENT ASSETS</b>			
I. INTANGIBLE ASSETS		68	128
II. PROPERTY, PLANT AND EQUIPMENT		1.201	936
		<b>1.269</b>	<b>1064</b>
<b>B. CURRENT ASSETS</b>			
I. INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	1	2.602	1.262
II. ACCOUNTS RECEIVABLE WITHIN ONE YEAR		32.086	6612
III. CASH AND CASH EQUIVALENTS		235.313	147.040
		<b>270.001</b>	<b>154.914</b>
<b>TOTAL ASSETS</b>		<b>271.270</b>	<b>155.978</b>
<b>EQUITY AND LIABILITIES</b>			
<b>C. EQUITY</b>			
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		-	-
		<b>-</b>	<b>-</b>
<b>D. FINANCING</b>			
I. Grants		-	-
II. Contributions		-	-
III. Other contributions			
IV. Membership fees		195.688	140.045
V. Other financing		-	-
	2	<b>195.688</b>	<b>140.045</b>
<b>E. ACCOUNTS PAYABLE AND LIABILITIES</b>			
I. NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES		-	-
II. CURRENT ACCOUNTS PAYABLE AND LIABILITIES			
II.1. Accounts payable to suppliers		3.610	1.247
II.2. Advances received		-	773
II.3. Salary and related liabilities		8.898	7.080
II.4. Deferred income		55.290	2.900
II.5. Other accounts payable and current liabilities		7.784	3.933
		<b>75.582</b>	<b>15.933</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>271.270</b>	<b>155.978</b>

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

These financial statements were approved on 6 March 2018 and signed by:

**Rytis Ambrazevičius**

President

**Monika Urbonaitė**

Accounting manager, Scandinavian Accounting and Consulting UAB

	Notes	2017	2016
<b>I. REVENUE</b>			
Income from executive education programs		285.980	220.604
Income from other projects		2.287	18.864
Used financing		30.357	48.316
Other income		121	12
		<b>318.745</b>	<b>287.796</b>
<b>II. EXPENSES</b>			
COST OF SERVICES RENDERED	<b>3, 4</b>	222.489	211.491
OPERATING EXPENSES		96.256	76.305
Accounting and audit services		18.755	12.863
Car rent and maintenance expenses		4.004	3.049
Rent of premises		6.539	6.430
Salary and related expenses, attributed to administration		43.182	37.300
Business trip expenses		5.496	4.924
Communication expenses		1.248	1.330
Office expenses		589	301
Bank services		298	277
Depreciation		893	556
Changes in foreign currency exchange rate, net		517	-
Representation expenses		866	865
Other operating expenses		13.869	8.410
		<b>318.745</b>	<b>287.796</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 6 March 2018 and signed by:*

**Rytis Ambrazevičius**

President

**Monika Urbonaitė**

Accounting manager, Scandinavian Accounting and Consulting UAB

# 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 3 employees in 2017 and 3 employees in 2016.

# 2. Accounting policies

## Basis of preparation

The financial statements are prepared in accordance with the Law on Accounting of the Republic of Lithuania and Order No. 1K-372 “Approval of the rules for accounting as well as preparation and presentation of financial statements of non-profit legal entities with limited civil liability and for evaluation of the assets and services received free of charge by participants of political campaigns”, issued on 22 November 2004 by the Minister of Finance of the Republic of Lithuania.

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

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

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 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 acquisition value over EUR 290 and useful life more than one year are capitalized.

Property, plant and equipment depreciation periods:

### Group of tangible fixed asset

IT and telecommunication equipment

### Useful lives

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.

### **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, 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 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 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 are not directly attributable to projects is classified as operating expenses in Performance statement.

### **Foreign currencies**

Transactions denominated in foreign currency other than euros (EUR) 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 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:

2017	2016
1 EUR = 9,8438 SEK	1 EUR = 9,5585 SEK

### **Income tax**

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2016 and 2017 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.

## 3. Notes

### 1. Prepayments, inventories and contracts in progress

For the year ended 31 December prepayments, inventories and contracts in progress consisted of the following:

	2017	2016
Prepayments for suppliers	569	1.084
Deferred charges	2.033	178
<b>Total</b>	<b>2.602</b>	<b>1.262</b>

### 2. Financing

At December 31 membership fees and contributions were as follows:

	2017			
	Membership fee	Contributions	Other financing	Total
Balance at 1 <sup>st</sup> of January	140.045	-	-	<b>140.045</b>
Receipts	86.000	-	-	<b>86.000</b>
Usage	(30.357)	-	-	<b>(30.357)</b>
<b>Closing balance at 31<sup>st</sup> of December</b>	<b>195.688</b>	<b>-</b>	<b>-</b>	<b>195.688</b>

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

### 3. Cost of services rendered

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

	2017	2016
Executive education programs	183.980	101.300
Other projects	38.509	110.191
<b>Total</b>	<b>222.489</b>	<b>211.491</b>

#### 4. Cost of services rendered

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

	2017	2016
Payroll expenses	100.806	90.501
Catering services	38.020	16.901
Lectors fee	28.207	27.717
Seminars material/Handout	20.373	24.182
External project cost	10.854	13.786
Hotel/ Education premises	9.034	32.056
Lectors travel and hotel expenses	4.993	2.000
Transportation costs	4.980	254
Travelling expenses	2.839	1.689
Representation expenses	1.683	1.206
Video&Pictures + Hotel	700	293
Marketing and gifts	-	262
Speakers travel and other expenses	-	644
<b>Total</b>	<b>222.489</b>	<b>211.491</b>

#### 5. Remuneration to management

Remunerations to management for the years ended 31 December:

	2017	2016
Salary expenses not including contributions for social insurance	52.746	45.301
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the year 2017.

#### 6. Contingencies and commitments

At 31 December 2017 and 2016 the Association was not involved in any legal proceedings that in 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 termless office space operating lease. The one-year lease services price is 7.780 EUR.

#### 8. Post balance sheet events

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

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President

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**BALTIC**  
— INSTITUTE —  
OF CORPORATE GOVERNANCE

## Association Baltic Institute of Corporate Governance

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