

2018 ANNUAL REPORT



BALTIC
— INSTITUTE —
OF CORPORATE GOVERNANCE

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DEAR MEMBERS AND PARTNERS,



We are now counting a decade since the peak of the last global financial and economic crisis as well as the tenth year since the establishment of the BICG. It was established to encourage resilience and development of the Baltic businesses and economies at the time when the severe consequences triggered by the bad governance of major financial institutions were still fully felt.

While a moment of crisis can motivate change, it is never the easiest moment and always a costly way to learn. Now, at a different moment in the economic cycle and with many businesses enjoying quite different circumstances, it is a better time to make sure that we are taking full advantage of every opportunity to strengthen Baltic businesses and economies by adopting leading governance practices.

That is why I am proud to see how the community of the BICG continues to look forward, motivated not by simply staving off the worst, but by aiming towards the best.

Carrying out company governance assessments last year, we have seen businesses ready and eager to move past the basic and towards the best governance standard. And among our individual members, we see a constant effort to improve their governance competencies.

Perhaps the most important official threshold passed last year was Lithuania joining Estonia and Latvia in the Organisation for Economic Co-operation and Development (OECD). The BICG is proud to have contributed to it by working with the OECD on the review of the Lithuanian state-owned companies (SOEs) and advising Lithuanian policy makers. However, while this is a deserving moment for celebration, the best way to celebrate might be by setting new goals and aiming to be not simply a member, but among the leaders of the club.

For some, crisis still remains the only motivator. During the last decade, we have seen many examples, including major state-owned companies in all three Baltic countries, when only a crisis prompted a change in business as usual. It illustrates why it is so important for the BICG members and partners to continue to be ambassadors of a different understanding, a different approach and to lead by example.

Sustainable, long-term success is built with a long-term vision and careful effort, by conquering the bad, but also by wisely using the good times.

Looking forward to the year ahead, I thank you for your support to our shared vision.

A handwritten signature in blue ink, appearing to read 'Daiga Auziņa-Melalksne'.

Daiga Auziņa-Melalksne
Chair of the Board

DEAR MEMBERS,



In 2018, the BICG has reached and passed such significant new milestones as 600 graduates and 200 members in our community. We are honoured by your trust in the importance of our mission and thankful to have your support as we continue to promote best governance practices among Baltic businesses and policy makers.

At the same time, the BICG has also officially become a member of a larger community -- the European Confederation of Directors' Associations (ecoDa). Working together with more than 20 of national director institutes across Europe, we are now contributing the Baltic perspective to a wider European conversation and having even more access to corporate governance expertise.

Surveying varied stages of corporate governance development in various parts of Europe, it is evident that the progress Lithuania, Latvia and Estonia have made in the recent years can serve as a positive example for those countries that are only now starting their reforms. On the other hand, the work remains set out for us if we want to be closing the gap between the Baltics and countries with deep good governance traditions.

Perhaps the most curious realisation of such a comparison is that it evokes a feeling of travelling in time. In countries that are only now starting to transform, the arguments against progress and change echo those we have heard in the Baltics at a similar stage. Impossibility and implausibility, very often argued out of fear of accountability.

It serves as a reminder that many discussions that we are having in the Baltic now, such as about professional, independent boards with excellent governance practices or benefits of listing SOEs, must appear old to more advanced countries that are already reaping benefits of these practices.

Both looking back to see how far we have come and looking forward to see how far we have to go can serve as an inspiration. But perhaps the truest inspiration is to know that your ideas are shared. As we look forward to the future, I thank you for being on our team.

A blue ink handwritten signature, appearing to read 'Rytis Ambrazevičius', written in a cursive style.

Rytis Ambrazevičius
President

KEY DEVELOPMENTS & ACHIEVEMENTS

PROJECTS

2018



- 1 First evaluations with the BICG Corporate Governance Assessment Tool were completed in 2018, with more coming up in 2019.** Assessing company's corporate governance practices against international benchmarks and best standards identifies their strengths and weaknesses, helping to develop comprehensive plans for improvement. More information about the assessment tool can be found through the QR code on the left.

2018



- 2 Corporate Governance Self-assessment Test** was created by the BICG and made available online. Based on the extensive evaluation tool used for the above mentioned in-depth assessment of companies, the test offers a few simplified questions, as a sample and as a start for all businesses that might want to identify areas for improvement in their practices. Users are asked to self-evaluate and then receive comments in summary. At the end of the test, there is also an opportunity to download all answers and BICG comments as a PDF file. The test can be taken by using the QR code on the left.

2018



- 3 Analysis of corporate governance criteria applied by the largest Latvian banks in providing financing for companies** was carried out at the end of 2018. The aim of these discussions with banks was to understand their experience in applying corporate governance criteria and to show the impact of corporate governance in receiving (better) financing options for companies. With the key conclusion that corporate governance can be given up to 25 percent weight in such assessments, summarised results of this examination are now published on the BICG website and can be viewed by following the QR code on the left.

POLICY

2018

4 **Review of the Nasdaq corporate governance code in Latvia** has started at the beginning of 2018, with the BICG participating in a group of 9 partnering organizations, which are now planning to complete their revision in 2019. The current code was approved in 2010 and it is important to make sure that it stays up-to date in reflecting best international standards, including the OECD guidelines that were revised in 2015.

2018

5 **Advocacy for the amendments in the Latvian competition law meant to limit undue engagement of state and municipalities in business activities** continued 2018, extending to 2019, owing to the parliamentary elections and change of the ruling parliamentary coalition. The final approval to the proposed amendments was given by the Parliament at the end of March 2019.

2018

6 **Improvements to a new draft of the law defining the governance of public media** were suggested by the BICG to the previous Latvian Parliament, proposing to define a clear decision-making process (strategy setting, reporting, etc.) and to set up transparent procedures in selecting management board members in state-owned media companies. As of spring 2019, the BICG proposal is being discussed with the newly elected Parliament.

2018

7 **Opinion paper advocating against the plans to publicize salaries of all employees at all Latvian SOEs on a monthly basis** was submitted to the Latvian Parliament in March, as we argued that such an initiative would go against international principles of best practice, negatively affect competitiveness of SOEs, creating risks of unjustifiably disclosing business secrets and violating personal protection regulations. These plans were later discarded by the legislators and did not come into effect.

2018

8 **Commentaries for how to further improve the selection process of board members in Lithuanian SOEs and municipality-owned companies (MOEs)** were provided by the BICG to the Governance Coordination Centre in March.

2018

- 9 Meeting between the Lithuanian Minister of Economy and Innovation and independent board members working at the Lithuanian SOEs** was organized by the BICG in June. Ways to improve the selection process and definition of independence of board members at Lithuanian SOEs, the need to set comprehensive rules for their remuneration and expectations for the professionalism of shareholders were among the topics discussed. The meeting resulted in several significant steps being taken to improve the related processes and procedures, including a uniform board member employment contract created with the assistance of the BICG and positive adjustments to the independent member selection process that were being drafted into law by the Ministry of Economy and Innovation, as of spring 2019.

2018

- 10 Commentary in favour of listing SOEs shares and bonds** was submitted by the BICG to the Latvian Government in April, in support to a draft report prepared by the Latvian Cross-sectoral Coordination Center. The report argues that such listings can bring significant benefits both for the companies and for the Latvian economy as a whole. We will be working to put this issue on the agenda of the new Latvian government in 2019.

In Lithuania, BICG participated in a working group on Improving the Investment Environment for Institutional Investors, formed by the Minister of Finance at the end of 2018. As of spring 2019, nine recommendations made by the group, including more IPOs and SPOs of SOEs, were accepted by the Minister and will be passed for further governmental consideration.

2018

- 11 Commentary on the inclusion of employee representatives in the Boards of SOEs and MOEs** was provided by the BICG to the Lithuanian Ministry of Economy and Innovation in May, after the idea to have at least 1/3 of all board members to be employee representatives was proposed at the Lithuanian Parliament by some of its members. Among the arguments against such a mandatory quota are that it can significantly limit board independence in strategic decisions as well as board competence pool. The quota was not passed into legislation.

2018

- 12 Further consultation on best corporate governance practices was provided for RB Rail** in May, including commentary on the best principles for supervisory board composition and selection process.

2018

13 **Commentary on the governance of state-owned health care providers** was submitted by the BICG to the Lithuanian Parliament, Government, Ministry of Health and Office of the President in June, because the adjustments to the current practices proposed by the Ministry of Health at the Parliament were not based on the best governance principles and therefore would not have been effective. The full package of amendments, which included other adjustments to various aspects of the health care system, was vetoed by the President. We will continue to follow the process, encouraging the application of better governance principles in the health care sector.

2018

14 **Proposals for how to improve governmental guidelines regarding strategy setting process in SOEs** were submitted by the BICG, as an observer for the Coordination Committee by the Latvian Government, which advises the Latvian Cross-sectoral Coordination Center. These proposals were incorporated into the guidelines and officially announced in August.

2018

15 **Recommendations to amend Latvian Company law by strengthening the role of supervisory boards** in the areas of approving strategy, budget and core governance policies were submitted to the Ministry of Justice in August, with further discussions held in November and a new draft of the law to be prepared, based on our recommendations. The initiative of the BICG is to make the respective changes applicable not only to state-owned and listed, but also to private companies.

2018

16 **Consultation on the best practices for selection process of a new head of Latvian State Revenue Service** was provided by the BICG to the State Chancellery of Latvia. The previous selection process has fallen through, while the later organised new one has provided appropriate results.

BICG has also participated in three nomination committees in 2018, encouraging the application of the best board member selection practices in the Latvian SOEs. In all three cases, executive search companies were also involved in the process, providing impressive lists of experienced candidates with proven track records.

EVENTS

2018

17 **Non-formal independent board members club** for independent board members working in Lithuanian SOEs and MOEs continued its quarterly meetings for the third year, discussing such issues as setting and monitoring management KPIs, importance of internal audit, etc. **In Latvia, non-formal Board members club** met for the second year, focusing on the topics of organizing strategy sessions, self-assessments, etc.

2018

18 **Expert discussion on the role and place of internal audit in corporate governance structures** was held in January in Riga, with the participation of KPMG, Rimi, Latvijas Mobilais Telefons and Latvenergo. By offering insights into the objectives of internal controls, independence of internal auditor, board involvement in developing internal audit plan as well as dynamics between internal audit and risk governance, the discussion attracted 65 participants.

2018

19 **Annual General Meeting and Governance Conference 2017** were held on the 19th of April, with members from Lithuania, Latvia, Estonia and Finland meeting to discuss key achievements of the BICG during the previous year and to hear about main new trends in corporate governance, including the evolution of necessary board competencies and new additions to the board agenda. Minister of Economy and Innovation Virginijus Sinkevičius opened the conference and welcomed all participants.

2018

20 **Seminar on the governance of family owned businesses** was organised with KPMG Latvia in Riga in April, with family business owners discussing best governance practices applicable in their businesses, including the appropriate division of responsibilities between shareowners and boards.

2018

21 **Corporate governance experience sharing events with Olainfarm**, a listed pharma company, **and Latvijas Finieris**, a leading plywood manufacturer in the Baltics, were held in Riga in April and November, with the companies presenting their approach to corporate governance and plans for further improvements.

2018

22 **Two sessions of the Board Member Education** were held in May and October, respectively, with the total number of BICG graduates now nearing 700.

2018

23 **Panel discussion after the presentation of the OECD study** *Access to Justice for Business and Inclusive Growth in Latvia*, organized by the Latvian Parliament and Ministry of Justice in May, was joined by the BICG, with an emphasis on developing effective supervisory boards that focus on company strategy, sustainable growth and approve core policies for risk governance and remuneration. Encouraged by the discussion, BICG prepared respective legislative proposals for the Latvian Ministry of Justice (see item 15).

2018

24 **Discussion on investment environment, including potential for listing SOEs**, was organized at the Lithuanian Parliament in September, through the initiative of the BICG and the Ministry of Finance. We assisted in attracting the key speakers, including a representative from the Estonian Ministry of Economic Affairs and Communications, who presented the success story of Tallinn Port IPO, addressing many fears related to the listing of SOEs that are currently prevalent in Lithuania.

2018

25 **BICG community event in Estonia** was held in Tallinn in October, inviting local members and graduates to join for a discussion about strengthening BICG Estonian operations. Further discussions are set to continue in 2019.

2018

26 **5th annual risk governance conference** was organised by the BICG, Cobalt law office and Swedbank in Vilnius in November, focusing on risk governance at the time of business growth, with speakers sharing their real life experience and tips.

2018

27 **Conference on digital transformation & corporate governance** was organised in Riga in November with Swedbank Latvia, KPMG Latvia and Digital Mind, with 70 participants discussing corporate governance practises related to digital transformation, creation of digitalization strategies and governing risks related to the digital agenda.

2018

28 Conference ‘State participation in business – where and how do we draw the line?’ organised by the Competition Council of Lithuania, discussion on the proposed changes in the governance of the Lithuanian National Radio and Television held by Transparency International and others are among the events where we participated as guest speakers, continuing to promote best corporate governance practices among the business leaders and policy makers.

COMMUNITY

2018

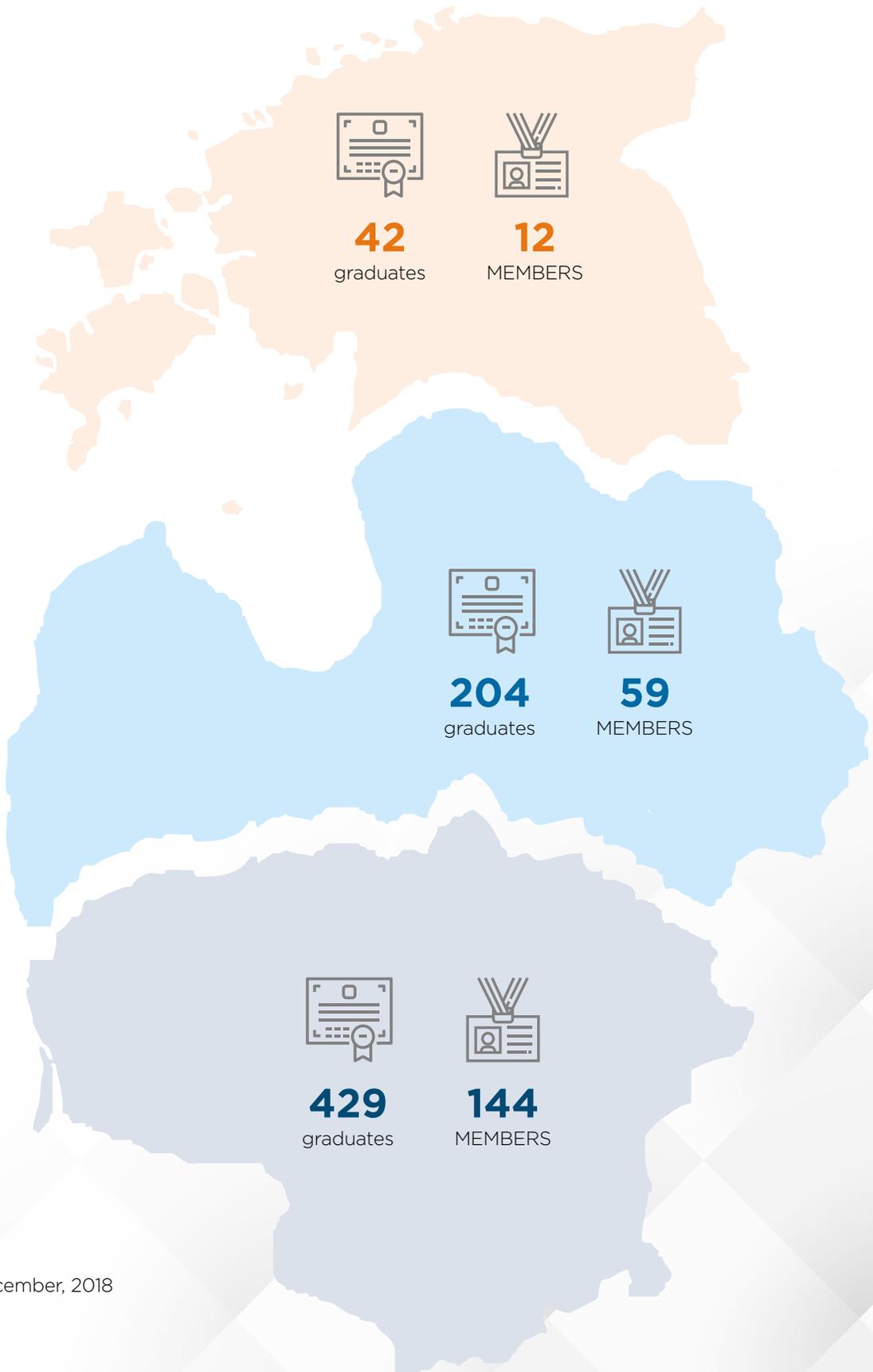
29 For the first time ever, the number of the BICG members has reached and then exceeded 200. We welcomed new corporate and individual members, with the total numbers at the end of 2018 standing at 44 and 172, respectively.

2018

30 In 2018, BICG joined the European Confederation of Directors’ Associations (ecoDa). ecoDa unites 24 national institutes of directors and other NGOs across Europe, acting as a corporate governance expertise sharing network, a place for debate and a credible voice in the development of corporate governance related recommendations.

2018

31 While this international community rather exceeds the bounds of the BICG, we were happy to see Lithuania receiving an official invitation to join the Organisation for Economic Co-operation and Development (OECD) in spring 2018. It concluded three years of accession talks, which encompassed many areas, including the necessary improvements in corporate governance. BICG has contributed to this process by presenting insights for the initial OECD review of the Lithuanian SOEs, providing related updates along the way, advising Lithuanian policy makers on the best practices, and bringing related parties together during events, including a conference organised at the Lithuanian Parliament. As of July 2018, Lithuania has officially become the 36th member of the OECD, joining Estonia and Latvia, among other countries.



As of December, 2018

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.

Integrity

Honesty and high moral principles in all we do.

Transparency

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

VALUES

Excellence

The highest standards are applied by us and for us.

Leadership

Challenging the status quo and driving the necessary change.

Vision

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

STRUCTURE OF THE BICG

Members

AGM

**Nomination
Committee**

Board

Board

Management

President

ANNUAL GENERAL MEETING

BICG is an association governed by its members who convene for their Annual General Meeting (AGM) by the 1st 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 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.

NOMINATION COMMITTEE



Aiga Ārste-Avotiņa
Chair of the Nomination
Committee



Nijolė Kelpšaitė
Member of the Nomination
Committee



Tiina Sepa
Member of the Nomination
Committee

Nomination Committee is comprised of three members, elected by the Annual General Meeting, for a 1 year tenure.

It makes recommendations for electing and re-electing Board members, based on the requirements set 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.

Diversity is encouraged in the Nomination Committee as well.

BOARD



Daiga Auziņa-Melalksne
Chair of the Board

Guntars Baļčūns
Member of the Board



Kārlis Danēvičs
Member of the Board



Riina Kāi
Member of the Board



Priit Lepasepp
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, with the recommendation of the Nomination Committee. 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.

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.

Lina Minderienė
Member of the Board



Irmantas Norkus
Member of the Board



Kaarel Ots
Member of the Board



Kęstutis Šliužas
Member of the Board



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 2018.

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 31st of December, 2018 as well as of the results of the operations of the BICG for the financial year 2018.

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

April 10, 2019

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



Riina Kāi Member of the Board



Priit Lepasepp 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 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 2018,
- 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 2018, 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 the Approval of the Rules for the Accounting and Financial Reporting of Non-Profit Civil Liability Legal Entities and the Presentation of Rules for the Evaluation of the Received Property and Services of the Participants of the Political Campaign ("Accounting Rules for Non-Profit 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 Accounting Rules for Non-Profit 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

28 February 2019

	Notes	2018	2017
ASSETS			
A. NON-CURRENT ASSETS			
I.	INTANGIBLE ASSETS	8	68
II.	PROPERTY, PLANT AND EQUIPMENT	1.124	1.201
		1.132	1.269
B. CURRENT ASSETS			
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS	1 3.130	2.602
II.	ACCOUNTS RECEIVABLE WITHIN ONE YEAR	32.928	32.086
III.	SHORT-TERM INVESTMENTS	-	-
IV.	CASH AND CASH EQUIVALENTS	231.360	235.313
		267.418	270.001
	TOTAL ASSETS	268.550	271.270
EQUITY 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	191.990	195.688
V.	Other financing	-	-
		2 191.990	195.688
E. ACCOUNTS PAYABLE AND LIABILITIES			
I.	NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES	-	-
II.	CURRENT ACCOUNTS PAYABLE AND LIABILITIES		
II.1.	Accounts payable to suppliers	1.379	3.610

*The accompanying explanatory notes are an integral part of these financial statements.
 These financial statements were approved on 28 February 2019 and signed by:*

Rytis Ambrazevičius
 President

Laura Bulonienė
 Accountant, Scandinavian Accounting and Consulting UAB

	Notes	2018	2017
II.2. Advances received		-	-
II.3. Salary and related liabilities		14.339	8.898
II.4. Deferred income		51.579	55.290
II.5. Other accounts payable and current liabilities		9.263	7.784
	3	76.560	75.582
TOTAL EQUITY AND LIABILITIES		268.550	271.270
I. REVENUE			
Income from executive education programs		238.620	285.980
Income from other projects		12.720	2.287
Used financing		86.198	30.357
Other income		11	121
		337.549	318.745
II. EXPENSES			
COST OF SERVICES RENDERED	4	202.790	222.489
OPERATING EXPENSES		134.759	96.256
Accounting and audit services		18.526	18.755
Car rent and maintenance expenses		4.617	4.004
Rent of premises		6.429	6.539
Salary and related expenses, attributed to administration		67.198	43.182
Business trip expenses		8.666	5.496
Communication expenses		1.497	1.248
Office expenses		520	589
Bank services		345	298
Depreciation		815	893
Changes in foreign currency exchange rate, net		143	517
Representation expenses		541	866
Other operating expenses		25.462	13.869
		337.549	318.745
III. OPERATING RESULT BEFORE TAX		-	-
IV. INCOME TAX		-	-
V. NET OPERATING RESULT		-	-

The accompanying explanatory notes are an integral part of these financial statements.
 These financial statements were approved on 28 February 2019 and signed by:

Rytis Ambrazevičius
 President

Laura Bulonienė
 Accountant, 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. The data is stored and kept in the registry of legal entities.

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 2018 12 31 and 2017 12 31 3 employees.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” had not participated in the projects in the year 2018.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” the accounting is performed by UAB “Scandinavian Accounting and Consulting”, company code 111507550, company address Radvilėnų pl.56, Kaunas.

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 the Minister of Finance of the Republic of Lithuania dated 22 November 2004 on the Approval of the Rules for the Accounting and Financial Reporting of Non-Profit Civil Liability Legal Entities and the Presentation of Rules for the Evaluation of the Received Property and Services of the Participants of the Political Campaign.

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	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.

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 on the Approval of the Rules for the Accounting and Financial Reporting of Non-Profit Civil Liability Legal Entities and the Presentation of Rules for the Evaluation of the Received Property and Services of the Participants of the Political Campaign).

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:

2018	2017
1 EUR = 10,2773 SEK	1 EUR = 9,8438 SEK

Income tax

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2017 and 2018 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:

	2018	2017
Prepayments for suppliers	870	569
Deferred charges	2.260	2.033
Total	3.130	2.602

2. Financing

At December 31 membership fees and contributions were as follows:

	2018			Total
	Membership fee	Contributions	Other financing	
Balance at 1 st of January	195.688	-	-	195.688
Receipts	82.500	-	-	82.500
Usage	(86.198)	-	-	(86.198)
Closing balance at 31st of December	191.990	-	-	191.990

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

3. Current accounts payable and liabilities

At December 31 current accounts payable and liabilities were as follows:

	2018			Total
	During the financial year	During the one year	During five years	
Accounts payable to suppliers	1.379	-	-	1.379
Deferred income of coming periods	51.579	-	-	51.579
Reserve for accrued holidays	14.339	-	-	14.339
Payable VAT LV, EE countries	9.263	-	-	9.263
Closing balance at 31st of December	76.560	-	-	76.560

3. Current accounts payable and liabilities (cont'd)

	2017			Total
	During the financial year	During the one year	During five years	
Accounts payable to suppliers	3.610	-	-	3.610
Deferred income of coming periods	55.290	-	-	55.290
Reserve for accrued vacation reserve	8.898	-	-	8.898
Payable VAT LV, EE countries	7.784	-	-	7.784
Closing balance at 31st of December	75.582	-	-	75.582

4. Cost of services rendered

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

	2018	2017
Executive education programs	188.122	183.980
Other projects	14.668	38.509
Total	202.790	222.489

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

	2018	2017
Payroll expenses	100.886	100.806
Catering services	36.458	38.020
Lectors fee	22.864	28.207
Seminars material/Handout	17.972	20.373
External project cost	2.081	10.854
Hotel/ Education premises	9.969	9.034
Lectors travel and hotel expenses	7.010	4.993
Transportation costs	2.008	4.980
Travelling expenses	2.226	2.839
Representation expenses	366	1.683
Video&Pictures + Hotel	950	700
Total	202.790	222.489

5. Remuneration to management

Remunerations to management for the years ended 31 December:

	2018	2017
Salary expenses not including contributions for social insurance	60.431	52.746
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the years 2018 and 2017. The significant transactions between association, legal persons engaged in a non-profit-making activity, support providers and support recipients in the years 2018 and 2017 had not taken place.

6. Contingencies and commitments

At 31 December 2018 and 2017 the Association was not involved in any legal proceedings that in management's opinion would have a material impact on the financial statements.

During the period 01 January 2014 - 31 December 2018 State Tax Inspectorate had not carried out any tax investigations. According to the valid laws, Tax Inspectorate in the course of 5 years in row after the financial years may perform the examination of the Association's accounting records and calculate additional taxes and sanctions. The Management of the Association does not have any knowledge about the additional significant tax obligations that could be calculated for them.

7. Significant operating lease commitments

The company with a legal person has entered into a termless office space operating lease. The one-year lease services price is 7.780 euros.

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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