

ANNUAL REPORT

YEAR IN REVIEW



FINANCIAL STATEMENTS
AND AUDITOR'S REPORT



2019

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DEAR PARTNERS AND FRIENDS,



In 2019, we celebrated a decade since the Baltic Institute of Corporate Governance (BICG) was established in the aftermath of the global financial crisis, with the mission to help Baltic businesses and economies become stronger by adopting better corporate governance practices.

Because if nothing else, a crisis is an opportunity to rethink business as usual, and to consider what can be done to become more resilient in the future. While we cannot always be ready for a crisis, we can always seek to become more resilient.

It is most relevant to remember this once again, at the time when we are facing a new global crisis. While it is crucial to act fast, adapt and survive in the short-term, it is also essential not to ignore the long-term perspective.

We have to remind ourselves where do we want to go and what do we want to be after the worst is over.

For some businesses, this means making sure to maintain an already existing high standard and to remain transparent, accountable and aware of their responsibilities to their stakeholders. For others, it can be an opportunity to move into this direction, and start building their future as an accountable partner.

Transparency and accountability are fundamental in building trust and increasing resilience and competitiveness of a business. Along with other principles of good corporate governance, they provide an indispensable guide for moving forward, even during the tough times.

Looking back to the past decade, we have taken many significant steps in improving corporate governance policies in the Baltics and many businesses in Latvia, Lithuania and Estonia have advanced their practices. Such initiatives of the BICG as increased transparency in state-controlled companies, including improved reporting and advocacy for independent Boards, as well as good governance guidelines for private businesses, are now acknowledged for their benefit in creating better Baltic business environment.

Thank you for working with us to help ensure these achievements. Now it is not the time to step back, it never is.

Daiga Auziņa-Melalksne

Chair of the Board



DEAR MEMBERS,



2019 marked a decade since the establishment of the BICG, and such a milestone is a great opportunity to thank everyone, who have helped to build the BICG from what was an unlikely, optimistic idea of a few good governance enthusiasts during the hard economic times in 2009, and is a strong Baltic organization with over 200 members and 700 alumni today.

It is your support that enables us to continue working towards improving corporate governance practices in Lithuania, Latvia and Estonia.

Among the highlights of our activities in 2019 is corporate governance education program developed for civil servants, who are directly involved in the development and implementation of corporate governance policies as well as those delegated to the Boards of state-controlled companies (SOEs). Almost a hundred participants from various ministries and other organisations completed the four-day, free-of-charge course, which received an outstanding feedback, and will continue in the future, to help ensure that all decision-makers have a chance to become more familiar with the principles of good corporate governance.

And to keep furthering the already advanced knowledge of those who have already completed our signature Board member education program, in 2019 we have offered not only a Chair education course in Stockholm, but also the first-ever masterclass, which was held by an internationally renowned expert on Board effectiveness from New Zealand.

Among our activities in policy advocacy, it is important to highlight significant improvements in legislation defining governance of state- and municipality-controlled companies, including Supervisory Board member selection process, that passed into law in Latvia.

At the same time, we also had to actively advocate against the dismissals of independent Boards both in Latvia and Lithuania, with our members lending their support and reputation to strengthening our voice, once again demonstrating the importance of working together, towards improving businesses and economies in the Baltics.

As we are starting a new decade with a new global uncertainty, it is a privilege to be facing it with you.

Rytis Ambrazevičius

President



KEY DEVELOPMENTS & ACHIEVEMENTS



PROJECTS

1

Corporate governance education program for civil servants that are directly involved in the SOEs governance policies as well as those delegated to the Boards of SOEs was developed by the BICG, in consultation with the Governance Coordination Centre and the Ministry of Economy and Innovation in Lithuania and in consultation with the Cross-Sectoral Coordination Centre in Latvia. Nearly 90 participants from 19 ministries as well as other organisations completed the four-day, free-of-charge course during 3 separate sessions held throughout the year, which were designed to provide knowledge necessary in making informed governance-related decisions and have received an excellent participant feedback.

In Estonia, discussion regarding the possibility to organise such a program is ongoing.



POLICY


2

BICG proposals for how to improve governance of Latvian SOEs and MOEs were accepted by all parties in the Latvian ruling parliamentary coalition in March, passed into law by the Latvian Parliament in June and have come into effect as of 2020. Among many significant changes are establishment of Supervisory Boards in all SOEs and MOEs that have the legal status of a joint stock company; extended Supervisory Board responsibilities; centralisation of the Supervisory Board member selection process with the mandatory participation of executive search companies, improvement of the Supervisory Board member independence criteria; new disclosure requirements, etc.

6

3

Amendments in the Latvian competition law **granting the Competition authority more powers to address competition distortions caused by SOEs and MOEs** and long supported by the BICG were passed into law by the Latvian Parliament in March.

4

An open letter to the Latvian Prime Minister and to the Speaker of the Parliament was sent by the BICG in June, regarding the sudden dismissal of the independent Supervisory Board of the state controlled company Latvenergo and appointment of the new Supervisory Board without a transparent selection process. As a result of the questions raised, the new Board stepped down and a new, public call for applications was announced. However, the selection process has been stalled and is still not finalised, while proposals for how to prevent such situations were prepared by the BICG and submitted to the Latvian Parliament in February 2020.

In Lithuania, a similar sudden dismissal of the Board of the Lithuanian Post and all its independent members was in focus at the end of the year, with the BICG advocating publicly for more transparency and accountability of the shareholding ministry. As of April 2020, the new selection process was at the nomination stage, with three candidates selected, but not yet officially confirmed.

5

An opinion paper, in support to the proposed law amendments for improving governance of SOEs with a special legal status (VĮ) in Lithuania, was submitted by the BICG to the Lithuanian Parliament in July, advocating for abolishing various anomalies that currently significantly limit Board powers and responsibilities in favour of shareholders. The law came to the parliamentary floor in November and while it appears that there might not be enough political support to pass it into law yet, we will continue to advocate for these improvements in the future.

6

Continuing to actively participate in the **discussions regarding the new legislation setting governance principles for the public media in Latvia**, BICG joined several sessions of the parliamentary Media Committee during the year and a discussion organised by the President of Latvia Egils Levits in August, advocating for a more effective governance structure, transparent Management Board and shareholder representative selection process, etc. It is our expectation that the new legislation will be passed in 2020.

In Lithuania, the BICG prepared an opinion and participated in the discussion of the parliamentary working group set up to review the governance of the national broadcaster LRT, arguing for an improved separation of directing and managing duties in the organisation, etc. We continue to follow the ongoing legislative process.

7

7

Proposals for improving a governmental bylaw defining Supervisory Board nomination process at Latvian SOEs were provided by the BICG to the Cross-Sectoral Coordination Centre in October and November. As of 2020, a specifically defined matrix of Board competences has been introduced, requiring that a Supervisory Board as a whole has to have competencies and previous professional knowledge in finance and audit, risk governance and internal controls, strategy, particular industry the company operates in, corporate governance, leadership and stakeholder management. These practices were already implemented in selecting Supervisory Board members for airBaltic and other state-controlled companies as well as three largest hospitals in Latvia.

8

Active work **to review Nasdaq corporate governance code in Latvia** continued throughout the year, as the BICG was participating in expert meetings, with the current objective to finalise the code in 2020, after public consultations with stakeholders.

9

Supervisory Boards in three largest hospitals in Latvia were re-established with the BICG assistance, as we participated in respective nomination committees throughout the year. The process was finalised in 2020, with 8 out of 9 elected members being independent and health professionals from Estonia, Lithuania and Finland among them.



EVENTS

10

Non-formal independent Board members club for independent Board members working in Lithuanian SOEs and MOEs continued its quarterly meetings for the fourth year, discussing such issues as control environment, Board's role in HR, etc. **In Latvia, non-formal Board members club** met for the third year, focusing on the topics of risk governance, shareholder and stakeholder relationships as well as Board involvement in budget discussion and approval.

8

11

Panel discussion at the conference 'SOEs: Practical Perspectives on Commercialisation and Privatisation', organised by the European Bank for Reconstruction and Development (EBRD) in London in January was joined by the BICG. Panellists discussed the overall purpose of state ownership, rationale for the state to be engaged in business activities, imbalance of social and economic objectives for SOEs, quality of their supervisory bodies, etc.

12

Discussion 'How does corporate governance impact the attraction of funding?' was organised by the BICG in Riga in January, in cooperation with the association Finance Latvia, to present the results of an analysis as to what corporate governance criteria are applied by the largest Latvian banks in providing financing for companies.

13

BICG community event in Estonia was held in Tallinn in February, inviting local members and graduates to discuss corporate governance matters with Mr Valdo Kalm, Head of the Port of Tallinn, and Mr Urmas Kaarlep, member of Supervisory Boards at the Port of Tallinn, Nasdaq CSD and other companies.

14

Two seminars for listed companies organised by Nasdaq Riga were joined by the BICG. In February, we discussed recent corporate governance developments in Latvia. In November, the event focused on remuneration practises for Board members in SOEs.

15

High Performing Board Member Masterclass with an internationally renowned expert of Board effectiveness Dr Peter Crow from New Zealand was organised by the BICG in Vilnius in April, as a highly-practical, one-day course to explore advanced aspects of an effective non-executive Board membership and as the next step for those who have already completed the BICG Board member education program.

16

Annual General Meeting & Governance Conference 2019 were held in April in Vilnius, where we were joined by over 120 guests from across the Baltics and expert speakers from New Zealand, Germany, the UK and Lithuania.

17

Networking event focused on corporate governance practices and their impact on the company credit ratings organized by the American Chamber in Latvia and hosted by SEB in April in Riga was joined by the BICG.

18

Conference 'Looking Beyond Financial Performance' organised by ecoDa, PwC and the World Business Council for Sustainable Development in Brussels was joined by the BICG in May, as we were invited to moderate the roundtable 'Tomorrow's successful business acts today'.

19

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

20

European Corporate Governance Institute's roundtable 'Why Are Fewer Companies Going Public?' hosted by the Stockholm School of Economics Riga was joined by the BICG in June, representing the point of view that SOEs in particular might present an untapped reserve of companies that could go public.

21

Discussion 'Relationship between Responsibility and Remuneration in SOEs: Is it Possible to Attract Top-Tier Professionals?' hosted by the business daily Verslo žinios in August in Vilnius was joined by the BICG, where we emphasised that top management and Board remuneration in Lithuanian SOEs should better reflect the quality of the talents the companies want and need to attract.

22

Corporate governance experience sharing event with Conexus Baltic Grid was held in Latvia in September, with an on-site visit at the Inčukalna underground gas storage facility.

23

6th annual risk governance conference, focusing on reputational risks, was held in September in Vilnius, in co-operation with Cobalt law office and Swedbank, attracting over 100 participants.

24

10-year anniversary of the BICG was celebrated in Riga and Vilnius in October and November, as we were joined by over 200 of our members, graduates, partners and friends, to share memories, cake, plans for the future and to review how corporate governance practices in the Baltics have changed during the past decade.

25

CFO forum organised in Riga in November by the SEB was joined by the BICG, where we lead the workshop 'How does the quality of business governance impact productivity'.

26

Chair education program was held by the BICG in Stockholm in November, with the total number of graduates of this course now nearing 80. We were hosted by SEB, Nasdaq and East Capital; and had a chance to welcome Mr Lars G Nordström, Chairman of Vattenfall; Mr Harald Norvik, former Chair of Statoil and SAS; Ms Anna-Karin Celsing, Chair of Sverige Television; and others among the many experienced speakers who shared their knowledge about effectively leading a Board.

27

24th European Corporate Governance Conference, hosted under the Finnish Presidency of the Council of the European Union in Helsinki and focused on the role of company law and corporate governance in the actions against climate change, was joined by the BICG in December, as we contributed our views on the importance of agility and stakeholder consideration in company strategies at the time of rapidly changing environment.

28

'Governance of SOEs - current situation, issues and suggested solutions' held at the Lithuanian Parliament in December was joined by the BICG, with the representatives of the Parliament, Ministry of Economy and Innovation, Bank of Lithuania, Swedbank, Cobalt law office as well as state-owned companies Ignitis and Lithuanian Railways, to analyse such topics as shareholder competence, Board mandate, listing of SOEs, etc.

29

Seminar for municipality representatives regarding new legislative requirements on governance of MOEs was organised in Riga in December, by the Ministry of Environmental Protection and Regional Development, in co-operation with the BICG, Nasdaq, Cross-Sectoral Coordination Centre as well as Latvian Chamber of Commerce and Industry.



COMMUNITY

30

After becoming a member in 2018, the **BICG is now increasingly involved in the ecoDa activities**. Rytis Ambrazevičius, the President of the BICG, was elected to serve on the Board of the ecoDa in May, providing opportunity for the voice of the BICG to be heard even more strongly in all governance matters considered on the European level. Among other duties during 2019, we have contributed to ecoDa's position papers on major corporate governance questions to be addressed to the future European Commission and European Parliament, directors' duties, etc. As a part of the ecoDa Education Policy Committee, we have also contributed to the mapping of the education certification programmes by the member institutes, to compare the different qualification systems and create a comprehensive guide to all education opportunities available across Europe.




31

BICG community continued to grow, as we welcomed new corporate and individual members, with the total numbers increasing to 187 and 48, respectively.



32



To strengthen the BICG activities in Estonia, the **selection for the position of BICG Country Manager Estonia was announced** in December. As of March 2020, Erik Sakkov, who has 25 years of experience working in top management positions in Estonian companies, including Union Bank of Estonia (now SEB), Port of Tallinn, NT Marine, Tallinn Airport and Nordica, was appointed to the position.



2

GRADUATES



1

MEMBER



53

GRADUATES



13

MEMBERS



250

GRADUATES



69

MEMBERS



480

GRADUATES



152

MEMBERS

As of December, 2019



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 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 Bajčūns

Member of the Board



Kārlis Danēvičs

Member of the Board



Riina Kāi

Member of the Board



Lina Kapčinskienė

Member of the Board



Priit Lepasepp

Member of the Board



Irmantas Norkus

Member of the Board



Kaarel Ots

Member of the Board



Daiva Rakauskaitė

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.

MANAGEMENT TEAM



Rytis Ambrazevičius

President



Andris Grafs

Vice President Latvia



Erik Sakkov

Country Manager Estonia

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 2019.

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, 2019 as well as of the results of the operations of the BICG for the financial year 2019.

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

April 5, 2020

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

Lina Kapčinskienė Member of the Board

Priit Lepasepp Member of the Board

Irmantas Norkus Member of the Board

Kaarel Ots Member of the Board

Daiva Rakauskaitė Member of the Board



2019 FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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 statement of financial position as at 31 December 2019,
- 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 2019, and of its financial performance for the year then ended in accordance with the *Rules for Accounting, Preparation and Presentation of the Financial Statements of Non-Profit Limited Civil Liability Entities ("Accounting Rules for Non-Profit Entities")*, approved by Order No. 1K-443 of the Minister of Finance of the Republic of Lithuania as of 18 December 2018.

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

Rūta Kupinienė

Certified Auditor

Vilnius, the Republic of Lithuania

6 March 2020

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

(EUR, unless otherwise stated)

	Notes	2019	2018
ASSETS			
A. NON-CURRENT ASSETS			
I.		-	8
II.		706	1.124
III.		-	-
IV.		-	-
		706	1.132
B. CURRENT ASSETS			
I.	1.	1.840	3.130
II.	2.	33.227	32.928
III.		-	-
IV.		236.325	231.360
		271.392	267.418
		272.098	268.550
TOTAL ASSETS			
EQUITY AND LIABILITIES			
C. EQUITY			
I.		-	-
II.		-	-
III.		-	-
IV.		-	-
		-	-
D. FINANCING			
	3.	182.974	191.990
		182.974	191.990
E. ACCOUNTS PAYABLE AND LIABILITIES			
I.		-	-
II.	4.	89.124	76.560
		89.124	76.560
		272.098	268.550
TOTAL EQUITY, FINANCING AND LIABILITIES			

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

These financial statements were approved on 6 March 2020 and signed by:

Rytis Ambrazevičius
President

Laura Bulonienė
Accountant, Scandinavian Accounting and Consulting UAB

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

(EUR, unless otherwise stated)

	Notes	2019	2018
I. REVENUE		435.442	337.549
I.1 SALES	5.	341.565	251.340
I.2 FINANCING INCOME		93.815	86.198
I.3 OTHER INCOME		62	11
II. COSTS		435.442	337.549
COST OF GOODS, SERVICES RENDERED AND OTHER			
II.1 SALES COSTS	6.	281.525	202.790
II.2 OPERATING EXPENSES	7.	153.917	134.759
II.3 OTHER EXPENSES		-	-
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 6 March 2020 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 2019 12 31 – 2018 12 31 3 employees.

Association “BALTIC INSTITUTE OF CORPORATE GOVERNANCE” had not participated in the projects in the year 2019.

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 the Republic of Lithuania and the Rules for Accounting, Preparation and Presentation of the Financial Statements of Non-Profit Limited Civil Liability Entities (“Accounting Rules for Non-Profit Entities”), approved by Order No. 1K-443 of the Minister of Finance of the Republic of Lithuania as of 18 December 2018.

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 "Financing revenue" in the Performance statement according to the Rules for Accounting, Preparation and Presentation of the Financial Statements of Non-Profit Limited Civil Liability Entities ("Accounting Rules for Non-Profit Entities"), approved by Order No. 1K-443 of the Minister of Finance of the Republic of Lithuania as of 18 December 2018.

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:

2019	2018
1 EUR = 10,4400 SEK	1 EUR = 10,2773 SEK

Income tax

The Association does not calculate income tax as it did not receive any income as a result of commercial activity in 2019 and 2018 and all revenue was used to satisfy the requirements of the public interest.

Related parties

Related parties are defined as the management of the Association, 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. Inventories

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

	2019	2018
Prepayments for suppliers	559	870
Deferred charges	1.281	2.260
Total	1.840	3.130

2. Other receivables within 1 year

At December 31 other receivables were as follows:

	2019	2018
Trade receivables	25.771	29.410
Receivables - membership fee	6.175	475
Other receivables	1.281	3.043
Total	33.227	32.928

3. Financing

At December 31 membership fees and contributions were as follows:

	2019			Total
	Membership fee	Contributions	Other financing	
Balance at 1 st of January	191.990	-	-	191.990
Receipts	84.799	-	-	84.799
Usage	(93.815)	-	-	(93.815)
Closing balance at 31st of December	182.974	-	-	182.974

	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

4. Current accounts payable and liabilities

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

	2019			Total
	During the financial year	During the one year	During five years	
Trade accounts payable	1.546			1.546
Prepayments	3.829	-	-	3.829
Deferred income of coming periods	55.290	-	-	55.290
Reserve for accrued holidays	21.867	-	-	21.867
Payable VAT LV, EE countries	4.162	-	-	4.162
Other accrued charges	2.430			2.430
Closing balance at 31st of December	89.124	-	-	89.124

	2018			Total
	During the financial year	During the one year	During five years	
Trade accounts payable	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	7.263	-	-	7.263
Other accrued charges	2.000	-	-	2.000
Closing balance at 31st of December	76.560	-	-	76.560

5. Sales

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

	2019	2018
Revenue from education programs for managers	247.350	238.620
Revenue from other projects	94.215	12.720
Total	341.565	251.340

6. Cost of goods, services rendered and other sales costs

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

	2019	2018
Executive education programs costs	202.698	188.122
Other projects costs	78.827	14.668
Total	281.525	202.790

	2019	2018
Payroll expenses	117.441	100.886
Catering services	55.724	36.458
Lectors fee	39.921	22.864
Seminars material/Handout	25.436	17.972
External project cost	1.524	2.081
Hotel/ Education premises	13.143	9.969
Lectors travel and hotel expenses	9.982	7.010
Transportation costs	4.398	2.008
Travelling expenses	3.499	2.226
Representation expenses	7.064	366
Video&Pictures + Hotel	3.393	950
Total	281.525	202.790

7. Operating expenses

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

	2019	2018
Salary and related expenses, attributed to administration	72.232	67.198
Accounting and audit services	21.897	18.526
Business trip expenses	12.011	8.666
Car rent and maintenance expenses	4.990	4.617
Rent of premises	6.430	6.429
Representation expenses	1.964	541
Communication expenses	1.671	1.497
Office expenses	936	520
Bank services	456	345
Depreciation	705	815
Changes in foreign currency exchange rate, net	455	143
Other operating expenses	30.170	25.462
Total	153.917	134.759

8. Remuneration to management

Remunerations to management for the years ended 31 December:

	2019	2018
Salary expenses not including contributions for social insurance	88.507	60.431
Average annual number of managers	1	1

There was no Remuneration or Gratuitous assets transferred for Board and Council members for the year 2019. The significant transactions between association, legal persons engaged in a non-profit-making activity, support providers and support recipients in the year 2019 had not taken place.

9. Contingencies and commitments

On 31 December 2019 and 31 December 2018, the Association has not participated in any judicial procedures, which according to the management, might significantly affect financial statements. Tax Administrator has not performed in Association full scope tax reviews. Tax Administrator may at any time to make the review on accounting, transactions and other documents, accounting records and tax reports for the current and 3 past calendar years; in some other cases for current years and 5 or 10 past calendar years and to calculate additional taxes and penalties. Company management is not aware of the circumstances due to which the potential significant liability for unpaid taxes could arise.

10. 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 (including VAT).

11. 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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