



**Ellex<sup>®</sup>**  
**Valiunas**

# FINANCIAL YEAR-END AND RELATED RESPONSIBILITIES

April 2023





The Ellex Valiunas team reminds you that after the end of the company's financial year, a General Meeting of Shareholders must be held annually within 4 months of the end of the financial year. Therefore, if your company's financial year coincides with the calendar year, the meeting must be held no later than 30 April.

The Annual General Meeting has to approve the Annual Financial Statements and the Annual Report of the company as well as allocate distributable profit (loss) of the company and take other decisions as necessary. *Read on to find out more about the responsibilities of the General Meeting of Shareholders.*



## 1. REGARDING ANNUAL FINANCIAL REPORTING

The Head of the Company (**CEO**), members of the Board and Supervisory Council are responsible within the scope of competence assigned by the laws for drawing up the Annual Financial Statements and the Annual Report of the company. Depending on the possible corporate structure of the company, the distribution of responsibilities varies:

- **If the Board is formed in a company**, the prepared Annual Financial Statements, draft distribution of profit (loss), the Annual Report of the company are considered and approved by the Board and the Supervisory Council (if it is formed) and together with the comments and proposals (if any) are provided to the General Meeting for approval.
- **If the Board is not formed in a company**, all these actions are to be performed by the CEO. The Supervisory Council (if it is formed) submits its comments and proposals to the General Meeting on the Annual Financial Statements, draft distribution of profit (loss), the Annual Report of the company.

## 2. DISTINGUISHING BETWEEN DIFFERENT CATEGORIES OF ENTERPRISES

	Value of the assets indicated in the balance sheet	Net turnover during the reported financial year	Average number of pay-roll employees during the reported financial year
<b>Very small sized companies</b>	EUR 350 000	EUR 700 000	10
<b>Small sized companies</b>	EUR 4 000 000	EUR 8 000 000	50
<b>Medium sized companies</b>	EUR 20 000 000	EUR 40 000 000	250
<b>Large sized companies</b>	at least 2 indicators (which are provided in the description of medium sized companies) exceeding the limits on the last day of the reported financial year.		

**Pastaba:** Very small sized companies, small sized companies and medium sized companies are those with at least 2 indicators provided in the table not exceeding the following limits on the last day of the reported financial year.

The abovementioned categories are important because for companies of different categories a different structure of the financial statements as well as different rights and obligations are established. For example, with certain exemptions, **very small sized companies** are entitled to prepare short financial statements and **small sized companies** – to prepare abridged financial statements, also such companies are entitled to decide not to prepare annual report and very small sized companies are entitled to decide not to prepare the explanatory note as well. However, in such cases additional information which is indicated in the law shall be provided below the balance sheet (in case of the very small sized companies) and/or in the financial accounts explanatory note (in case of small sized companies).

### 3. MANDATORY AUDIT OF ANNUAL FINANCIAL STATEMENTS

If audit of the Annual Financial Statements is compulsory under law or is prescribed by the Articles of Association, the General Meeting approves only audited financial statements.

The audit of the Annual Financial Statements must be performed in all public limited liability companies, also in private limited liability companies with at least 2 indicators exceeding the following limits on the last day of the reported period:

- value of the assets indicated in the balance sheet – EUR 1,800,000;
- net turnover during the reported financial year – EUR 3,500,000;
- average number of pay-roll employees during the reported financial year – 50 employees.

**If the audit for the company is compulsory, the General Meeting has to:**

- elect and recall a certified auditor or an audit company for the audit of the annual financial statements of the next financial year;
- set remuneration conditions for audit services, unless the audit company is approved for several consecutive years by a previous decision of the shareholders.

Please note that a private limited liability company seeking to conduct public offering of its bonds, may do this only if certain legal requirements are fulfilled. One of them – Annual Financial Statements for the last financial year preceding the financial year, during which a decision to issue bonds is adopted, **must be audited**.

### 4. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Companies which prepare the Consolidated Annual Financial Statements (i.e., companies which have one or several subsidiary companies), have to prepare the Consolidated Annual Report of the group of companies. Such Consolidated Annual Report must include information about the group of companies mainly on similar issues as in the Annual Report of one company.

The company preparing the Consolidated Annual Report may compound its Annual Report with the Consolidated Annual Report of the group of companies.

### 5. SEVERAL MATTERS THAT COULD ALSO BE DISCUSSED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

#### 1) Regarding end of term of the Board and / or Supervisory Council members

Please note that the elected Board and / or Supervisory Council members (if such bodies are formed) shall remain in office until the day of the General Meeting held during the last year of their term of office, but not until the last calendar day of such year. Therefore, if the shareholders do not plan to convene another General Meeting during the last year of the current term, except for the Annual General Meeting, it would be wise to re-elect or to elect new members of the Board and / or the Supervisory Council at the Annual General Meeting.

#### 2) Regarding purchase of own shares

If the company plans either to purchase its own shares or reduce the authorised capital and pay out the company's free funds to its shareholders, we recommend you to resolve the respective issues at the Annual General Meeting.



This is because, in accordance with Part 6 of Article 54 of the Company Law of Lithuania (the **Law on Companies**), in case the company plans to purchase its own shares, it is required to form a special reserve which can be approved only at the Annual General Meeting.

Meanwhile, the decision to reduce the authorised capital and pay out the company's free funds to its shareholders can be made only if all the conditions indicated in the laws are fulfilled, and such decision also may only be adopted at the Annual General Meeting.

### 3) Regarding granting of company's shares

From beginning of 2018 the Law on Companies provides a right to a company to grant its shares free of charge or partially free of charge to employees of the company itself, the parent company or a subsidiary, including management, members of the Supervisory Council and the Board, of such company.

The shares are granted in accordance with such company's internal Shares Granting Rules, which are prepared by the CEO, considered by the Supervisory Council and/or the Board (if such are formed) and approved by the General Meeting of Shareholders. A company may grant (i) its newly issued shares, or (ii) its own shares bought-back by it earlier. In the first case it is required to form a special reserve for granting shares, which can be approved only at the Annual General Meeting.

### 4) Regarding payment of dividends

The shareholders of the company may decide to distribute dividends in respect of the previous financial year in the distribution of the company's profits by decision of the General Meeting of Shareholders. According to the Law on Companies, the company must pay the dividends within 1 month of the date of the decision to distribute dividends. Meanwhile, the payment of dividends in advance is prohibited.



Please note that according to the current Law on Companies, **the General Meeting is prohibited from deciding to distribute and pay out dividends**, if any of the following conditions apply:

- the company has unfulfilled obligations that became due before adoption of the decision;
- the amount of the total distributable profit (loss) of the reporting financial year is negative;
- equity capital is less or will become after the payment of the dividends less than the authorised capital of the company, mandatory reserve, revaluation reserve or the reserve for acquisition of own shares.

It is possible for the company, complying with requirements of the Law on Companies, to pay out dividends for a term shorter than the financial year. To use this possibility, the following documents must be prepared:

- (i) the Financial Statements for the term shorter than the financial year;
- (ii) the Interim Report; and
- (iii) the decision to pay out dividends for the term shorter than the financial year.

The aforementioned documents must be prepared under the same procedure as their annual counterparts. The term shorter than the financial year shall begin on the same day as the financial year.

If in accordance with the laws or Articles of Association the Annual Financial Statements of the company are to be audited, the same applies to the Financial Statement for the term shorter than the financial year.

## 5) Regarding payment of share of profits

The annual payments (Lith. “*tantjemos*”) to the members of the Management Board and the Supervisory Board (if such bodies are formed) which are allocated as part of the share of profits for the financial year (i) must not exceed 1/5 of all net profit for such financial year, and (ii) must not exceed 1/3 of the part of profit assigned to pay out dividends. Due to this (i) the amount of share profits is limited and dependent on the size of respective financial year’s profit and the amount of paid dividends; (ii) share of profits can only be paid if dividends are paid.

## 6. SUBMISSION OF DOCUMENTS TO THE REGISTER OF LEGAL ENTITIES

The Annual Financial Statements of the company together with the Annual Report of the company and the auditor’s report (if these documents are required by law) must be submitted to the Register of Legal Entities within 30 days from their approval by the General Meeting. The companies are obliged to submit these documents to the Register of Legal Entities in electronic form. This is further detailed in the [website](#) of the Register (Lithuanian language only).

## 7. THE OBLIGATION TO UPDATE DATA, WHICH SHOULD BE BORNE IN MIND EVERY YEAR

As each legal entity has an obligation under different legislation to register and keep up-to-date the data of the legal entity in the Register of Legal Entities and its systems. In order to ensure timely updating of data on the company, its shareholders and ultimate beneficial owners, we recommend that you check annually whether the company's contact details, ownership structure and the details of its entities differ from those registered in the register.

In the event of discrepancies, we suggest companies to take steps to update the company's data, as inaccuracies in the register may lead to personal liability of the company's management as well as to misleading the authorities or other third parties seeking to establish a relationship with the company.

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The proposals formulated by team of Ellex Valiunas are based on our many years of experience in dealing with corporate matters. We hope that the proposals will help you to properly implement the duties of the Annual General Meeting of Shareholders and to make other related decisions.

Should you have any questions or require assistance in organising the Annual General Meeting or in fulfilling other duties relevant to the company after the end of the financial year, please do not hesitate to contact us using the contact details below - the Ellex team will be happy to assist you in any matter.



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