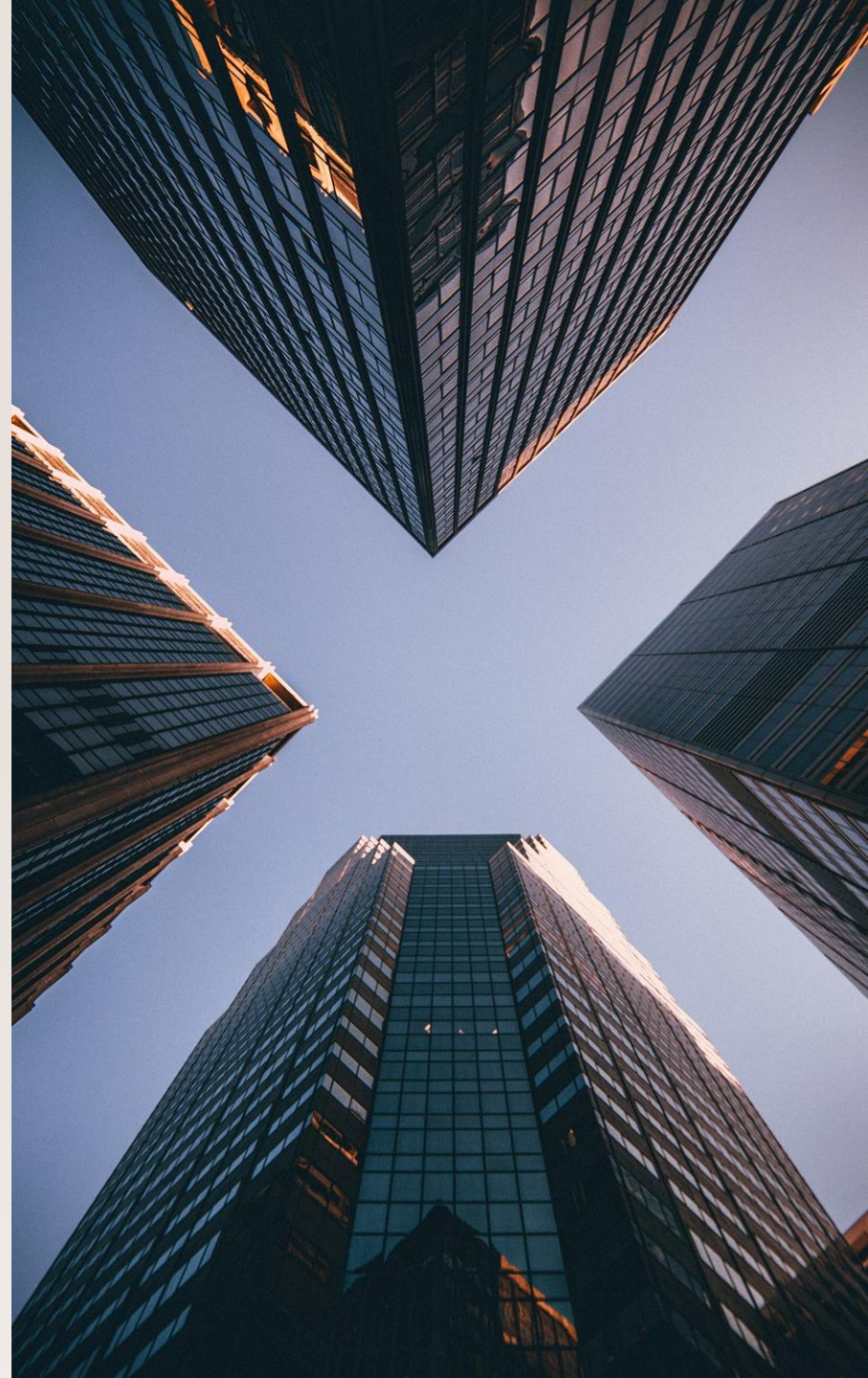


# FINANCIAL YEAR-END AND RELATED RESPONSIBILITIES

19/02/2025

**Ellex** Valiunas



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The Ellex Valiunas team reminds you that after the end of the company's financial year, a General Meeting of Shareholders (the **GMS**) 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 **GMS** has to approve the annual financial statements of the company, as well as allocate distributable profit (loss) of the company and take other decisions as necessary.

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# 1. ORGANIZATION OF THE COMPANY'S ANNUAL REPORTING

The Head of the Company (the **CEO**), members of the Board and Supervisory Council are responsible for drawing up the annual financial statements and the management report of the company. Considering the possible corporate structure of the company, competences are divided as follows:

- **If the Board is formed in a company**, it, along with the Supervisory Council, reviews and approves the annual financial statements prepared by the CEO, the draft profit (loss) distribution, and the management report. These documents, along with any comments / proposals, are then submitted to the GMS for final approval.
- **If the Board is not formed in a company**, the CEO is responsible for carrying out all these actions. The Supervisory Council, if it exists, will submit its comments and proposals to the GMS regarding the annual financial statements, the draft profit (loss) distribution, and the Annual Report of the company.





## 2. IDENTIFYING THE DIFFERENT CATEGORIES OF COMPANIES

	<b>Value of the assets indicated in the balance sheet</b>	<b>Net sales revenue during the reported financial year</b>	<b>Average annual number of employees during the reported financial year</b>
<b>Very small companies</b>	EUR 450,000	EUR 900,000	10
<b>Small companies</b>	EUR 7,500,000	EUR 15,000,000	50
<b>Medium companies</b>	EUR 25,000,000	EUR 50,000,000	250
<b>Large companies</b>	companies with at least 2 indicators (which are provided in the description of medium companies) exceeding the limits on the last day of the reported financial year		

**Note:** Very small, small, and medium-sized companies are those for which at least 2 indicators do not exceed the specified limits for their respective category as of the last day of the financial year, as outlined in the accompanying table. A company is classified as a different category company when the above indicators are not exceeded on the last day of the financial year or start to be exceeded for 2 consecutive financial years.

Distinguishing between different categories of companies for financial reporting purposes is important because each category has a specific composition of financial statements, as well as different rights and responsibilities. For example, with certain exceptions, very small companies have the right to prepare short financial statements, while small companies are allowed to prepare abridged financial statements.



### 3. AN AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (I)

An audit of annual financial statements is mandatory for companies for which at least 2 of the following criteria exceed these thresholds on the last day of the reporting period:

- Value of assets indicated in the balance sheet –EUR 2,500,000;
- Net sales revenue for the reporting financial year – EUR 4,500,000;
- Average number of employees on the payroll during the reporting financial year – 50 employees;
- Financing received from the state and/or municipal budget(s) and/or support received or used during the reporting financial year exceeds EUR 500,000.

An audit of annual financial statements is also mandatory for:

- Public interest companies;
- State and municipal enterprises;
- Joint-stock companies;
- Private limited companies where the state and/or a municipality is a shareholder (or one of the shareholders).

Additionally, a private limited company aiming to publicly offer its bonds may only do so if its annual financial statements for the fiscal year preceding the year in which the decision to issue the bonds was made have been audited.



# 3. AN AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (II)

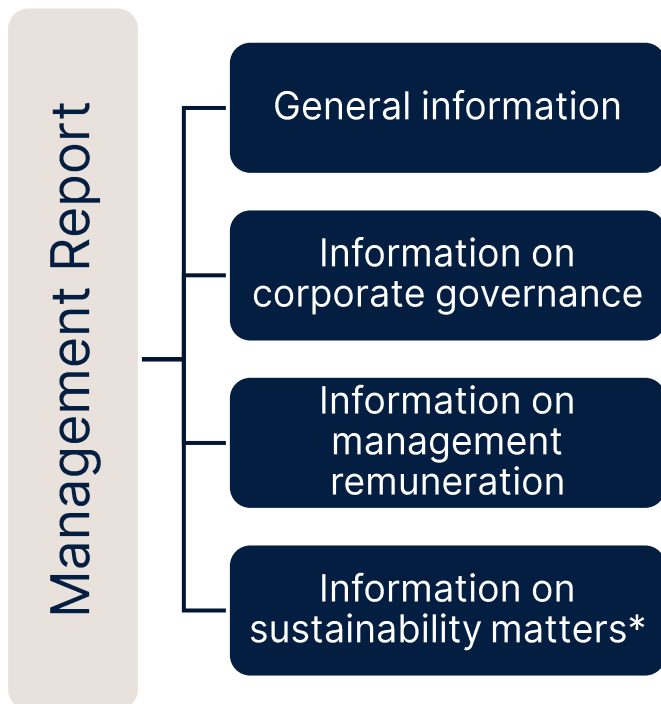
If an audit of a company's annual financial statements is required by law or stipulated in the bylaws, the **GMS approves only the audited sets of annual financial statements.**

**If an audit is mandatory for the company, the annual GMS must:**

- Appoint / dismiss a certified auditor or audit firm to conduct the audit of the annual financial statements;
- Determine the terms of payment for audit services for the upcoming financial years (unless a previous GMS decision has already approved a certified auditor or audit firm for several consecutive years).



# 4. MANAGEMENT REPORT



The management report is mandatory for almost all companies preparing a set of annual financial statements.

Only very small and small companies are exempt, except for public interest entities, provided that very small companies present certain legally specified information in notes below the balance sheet, and small companies include it in the explanatory notes to the financial statements.

Depending on the company's category and other characteristics (such as the nature of the business or if the company's securities are traded on regulated markets), the required content of the management report may vary. For instance, information on corporate governance and remuneration is prepared only by companies whose securities are traded on regulated markets.

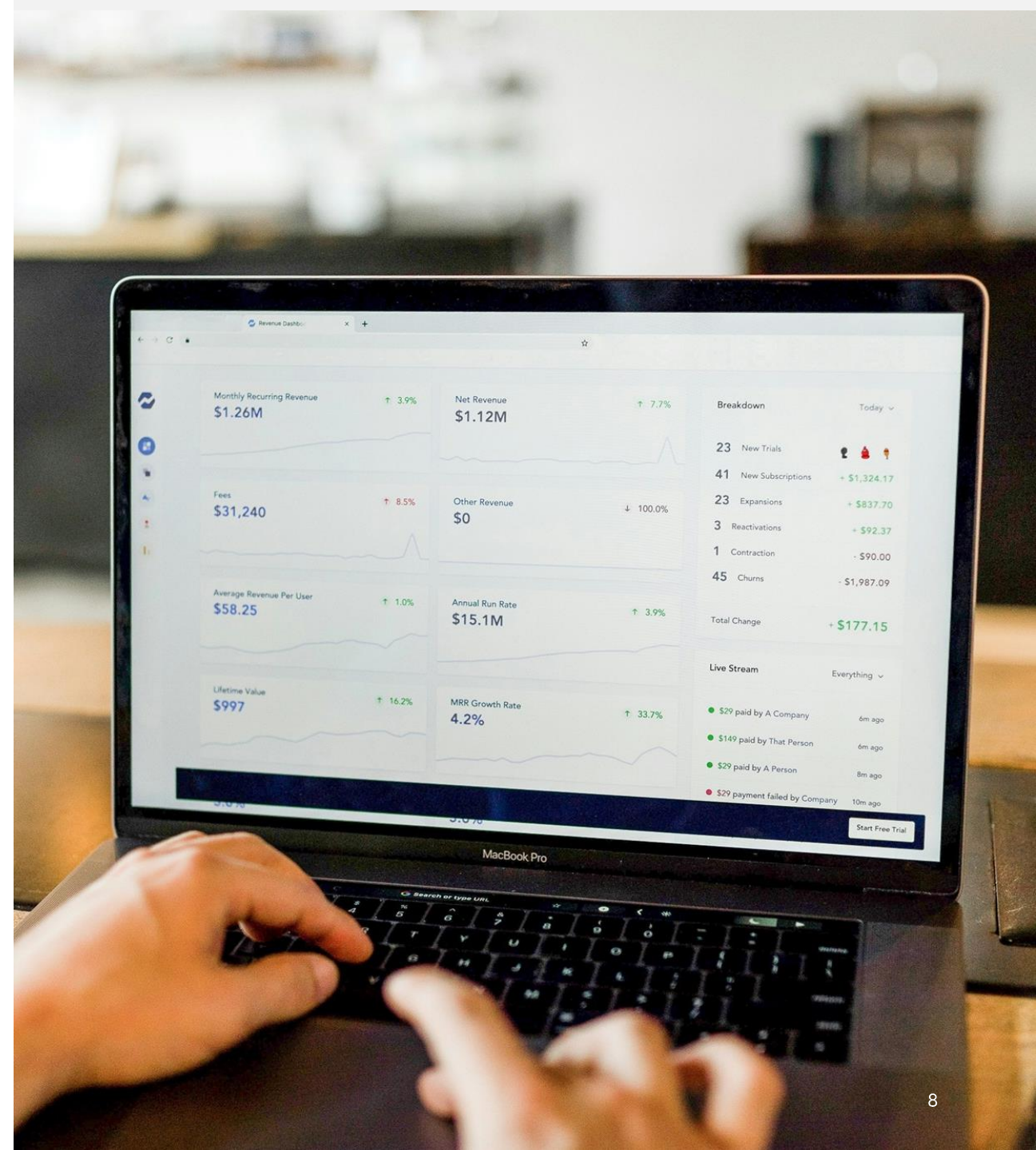
\*Companies required to provide information on sustainability matters in their management reports are subject to an assurance requirement for their reporting.

# 5. CONSOLIDATED FINANCIAL STATEMENTS

Companies preparing consolidated financial statements must also prepare a consolidated management report alongside the annual consolidated financial statements.

This report should include information about the group of companies, covering largely the same topics as any individual company's management report.

A company drafting a consolidated management report may combine it with its individual management report.







# 6. OTHER MATTERS THAT MAY ALSO BE ADDRESSED AND DECIDED UPON AT THE ANNUAL GMS (I)

## 1) Regarding the expiration of the term of office for members of the Board and/or Supervisory Council

Elected members of the Board and/or Supervisory Council serve until the date of the annual GMS held in their final year of office, not until the last calendar day of that year.

Therefore, at the beginning of the final year of the Board/Supervisory Council members' term, and if shareholders do not plan to hold another GMS aside from the regular one, it is advisable to re-elect or appoint new members to the Board/Supervisory Council during that meeting.

## 2) Regarding the acquisition of the company's own shares and the reduction of share capital

If the company plans to acquire its own shares this year or to reduce its share capital by distributing free funds to shareholders, it is advisable to address these matters at the annual GMS taking place this year.

This is because, according to Article 54(6) of the Law on Companies of the Republic of Lithuania (the **Law on Companies**), the company must create a special reserve to acquire its own shares, which can only be approved at the annual GMS.

Meanwhile, the company's decision to reduce share capital by distributing free funds to shareholders can only be made if the requirements established by law are met, and such a decision is made at the annual GMS.

## 3) Regarding the granting of company shares

Since the beginning of 2018, the Law on Companies provides an opportunity for companies to grant their shares free of charge or for a partial payment to employees of the company, its parent company, or subsidiaries, including managers and members of the Supervisory Council and the Board.

Shares are granted based on the company's internal share-granting rules, which are prepared by the management, reviewed by the Supervisory Council/Board, and approved by the GMS.

The company may grant: (i) its newly issued shares, or (ii) its own shares that were previously purchased. In the first case, it is necessary to form a special reserve for the share grant in advance, which can only be approved at the annual GMS.

# 6. OTHER MATTERS THAT MAY ALSO BE ADDRESSED AND DECIDED UPON AT THE ANNUAL GM (II)

## 4) Regarding the distribution of dividends

By a decision of the annual GMS, the company's shareholders may decide to allocate dividends from the company's profits for the previous financial year. According to the Law on Companies, the company must pay the declared dividends no later than 1 month from the date of the decision to allocate the dividends. Meanwhile, it is prohibited to pay dividends in advance.



The GMS cannot make a decision to allocate and pay dividends if at least one of the following conditions is met:

- The company has outstanding obligations whose deadlines have passed before the decision is made;
- The amount of distributable profit (or loss) for the reporting financial year is negative;
- The company's equity is less than or would become less than the sum of the company's share capital, mandatory reserves, revaluation reserves, and reserves for acquiring its own shares after the dividend payment.

## 5) Regarding the allocation of management bonuses

The annual management bonuses to members of the Board and Supervisory Council are allocated from the profit of the reporting financial year and (i) cannot exceed one-fifth of the total net profit of the reporting financial year, and (ii) cannot exceed one-third of the portion of profit designated for dividend payments. For this reason, (i) the amount of bonuses is restricted and linked to the profit of the reporting year and the amount of dividends paid; (ii) bonuses can only be paid if a decision is made to distribute dividends.

# 7. PROVISION OF DOCUMENTS TO THE REGISTER

The company's annual financial statements, along with the management report and the auditor's opinion (if these documents are required by law), must be submitted to the Register of Legal Entities of the Republic of Lithuania within 30 days from the date of the annual GMS.

The data must be provided electronically. More information can be found on the registry's [website](#) (Lithuanian language only).



# 8. OBLIGATION TO UPDATE COMPANY INFORMATION

According to various legal acts, every legal entity is required to register its data in the Register of Legal Entities of the Republic of Lithuania and its systems, and to update it regularly. To ensure the timely update of information regarding the company, its shareholders, and ultimate beneficiaries, it is recommended to verify annually that the company's contact details, ownership structure, and information about entities within it match those registered.

In case of discrepancies, companies are urged to take action to update their information, as inaccuracies in the registry may lead to personal liability for the company's management and may mislead government authorities or other third parties seeking to establish contact with the company.

The proposals formulated by the [Ellex Valiunas team](#) are based on our extensive experience in corporate practice. We hope that the suggestions provided will assist you in properly fulfilling the responsibilities of the regular GMS and in making related decisions.

If you have any questions or need assistance in organizing the regular GMS or in performing other duties relevant to the end of the financial year for each company, please do not hesitate to contact us at the details provided below— the [Ellex team](#) will be happy to help resolve any issues that may arise.



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