To:
Special closed-end type private capital investment company INVL Technology
Gynėjų g. 16,
Vilnius

SPECIAL CLOSED-END TYPE PRIVATE CAPITAL INVESTMENT COMPANY INVL TECHNOLOGY AUDIT COMMITTEE ACTIVITY REPORT FOR THE FINANCIAL YEAR 2016
5 April 2017, Vilnius

GENERAL PART

The Audit Committee (hereinafter – the Committee) of special closed-end type private capital investment company INVL Technology (hereinafter – “SUTPKIB INVL Technology” or “the Company”) was formed by the decision of the General Meeting of shareholders on 27 June 2016.

The Committee works in accordance with the laws of the Republic of Lithuania, the Articles of Association of SUTPKIB INVL Technology and Regulations of the Formation and Activity of the Audit Committee of Special closed-end type private capital investment company INVL Technology (hereinafter – “the Regulations”), approved by the decision of the General Meeting of Shareholders on 27 June 2016.

The members of the Committee comply with the qualification and experience requirements set out in the Regulations:

- an independent member of the Committee has an university degree in economics and more than three years work experience in the field of accounting;
- second member of the Committee has an university degree in law and more than three years work experience in the field of law.

Information and data which confirm qualification and experience of the members of the Committee were submitted to the General Meeting of Shareholders on 23 December 2014 and on 10 November 2016.

An independent member of the Committee complies with main criteria set out in the Regulations which are used for identifying whether a member of the Audit Committee can be considered as independent:

1. he is not and has not been for the last five years a manager of the Company and any associated company;
2. he is not and has not been for the last five years an employee of the Company and/or any associated company;
3. he is not receiving and has not been receiving significant additional remuneration from the Company and/or associated company other than remuneration for the office in the Audit Committee;
4. he is not a controlling shareholder and is not a representative of such shareholder;
5. he does not have and did not have any material business relations with the Company and/or associated company within the past year directly or as a partner, shareholder, head or employee of the administration of the subject having such relationships (a subject is considered to have business relations when it is a major supplier or service provider (including financial, legal, advisory and consulting services), major client or organisation receiving significant payments from the Company or its group);
6. he is not and has not been for the last three years a partner or employee of the current or former audit company of the Company and/or associated company;
7. he has not been in the position of a member of the Committee of the Company for more than 12 years;
8. he is not a close relative of the managers of the Management Company or of any person specified in paragraphs 1 – 6 above (a spouse (partner), children and parents are considered to be close relatives).

FUNCTIONS AND PROCEDURE OF WORK OF THE AUDIT COMMITTEE

The main functions of the Committee:

1. provide recommendations to the Board of the Management Company regarding selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of the agreement with the audit company;

2. observe the process of external audit of the Company;

3. observe how the external auditor and audit company follow the principles of independence and objectivity;

4. observe the financial statements preparation process of the Company;

5. observe the effectiveness of the internal control and risk management systems of the Company. Once a year review a need for the internal audit function;

6. observe if the members of the Board and/or the managers of the Management Company take into account recommendations and comments of the audit company properly.

The work of the Committee is organized taking into account specifics of the activity of the Company, external factors, changes in legal environment.

The right of initiative of convoking the meetings of the Committee is held by both members of the Committee. Usually the time of the meetings is combined with discussions on preparation process of financial statements (including interim financial statements) and audit reports.

During the reporting period the Committee discussed all questions collegially.

The Management Company of the Company has worked closely with the members of the Committee, duly informed them about the activities of the Company, provided with detailed information regarding the specific peculiarities of accounting, finance and activity of the Company, informed about methods of settlement for important and unusual transactions when the settlement may be accounted for using several alternatives, provided with other information which is necessary to carry out the functions of the Committee properly.

The Committee has received information relating to external audit from the Management Company of the Company on time.

THE ACTIVITY OF THE AUDIT COMMITTEE IN FINANCIAL YEAR 2016

Observation of the financial statements preparation process.

Without prejudice to the responsibility and rights of the administration, the Board members and the external audit company, the Committee inter alia (A) observed the preparation process of the financial statements (including interim) of the Company.

The members of the Committee were informed about any possible non-compliance with the accounting policies or problems of disclosure, a regular two-way dialogue between the members of the Committee and persons, responsible for preparing financial statements took place, information regarding work of independent audit was received.

The Company dedicates sufficient attention and resources to ensure timely implementation of all legislative changes governing the preparation of financial statements.
The members of the Committee, after making themselves familiar with the audited set of annual financial statements for the year 2016, hearing from person authorized under the agreement to manage accounting of the Company about the preparation process of the above mentioned financial statements and related issues, and discussing audit process with the Company’s auditors, recommended to the Company’s Management Company to submit audited set of annual financial statements for the year 2016 to the General Meeting of Shareholders of the Company for approval.

**Observation of the process of external audit.**

Without prejudice to the responsibility and rights of the Management Company and the external audit company, the Committee *inter alia* (B) observed the process of external audit.

Management of the Company’ Management Company as well as audit company provided the members of the Committee with information about the process of external audit of financial statements for the year 2016.

The main issues discussed with auditors relating to the audit of 2016 financial statements: (I) financial assets fair value determination (II) disclosures in the financial statements.

**Independence and objectivity of external auditor and the audit company.**

The Committee reviewed and observed an independence of external auditor and the audit company first of all from the point of view of provision of additional services to the audited subject.

On 1 December 2016 the Committee examined received statements of independence from the audit company – confirming that UAB PricewaterhouseCoopers is independent of SUFKIB INVL Technology, when financial statements audit is performed for year ended 31 December 2016.

**Observation of the effectiveness of internal control and risk management systems and assessment of the need of internal audit function**

Without prejudice to the responsibility and rights of the management of the Management Company and the external audit company, the Committee observed the effectiveness of internal control and risk management systems and assessed the need of internal audit function in the Company.

There was no internal audit function in the Company during 2016. Based on the scale and complexity of the Company’s activities, the Committee sees no need to establish this function in the nearest future.

**Members of the Committee:**

Tomas Bubinas

Danutė Kadanaité