

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

Concurrent Technologies Plc is herein referred to as the "Company".

Reference to the "Committee" shall mean the Audit and Risk Committee of the Company. Reference to the "Board" shall mean the Board of Directors of the Company. Reference to the "Auditor" shall mean the external statutory auditor appointed to audit the Company.

1 Membership

- 1.1 The Committee shall comprise at least three members, or two members when there are fewer than three non-Executive Directors on the Board. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the Chairman of the audit Committee.
- 1.2 All members of the Committee shall be non-Executive Directors. At least one of whom shall have recent and relevant financial experience, and with competence in accounting and/or auditing or dealing with and/or consulting with accountants and auditors of companies regarding such companies' financial accounting and audited accounts.
- 1.3 All non-Executive Directors have the right to attend Committee meetings, although only members of the Committee have the right to vote. However, the Auditor and other Directors may be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 Appointments to the Committee shall be for a period of up to three years extendable by additional three-year periods.
- 1.5 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 Each member of the Committee shall disclose to the Committee:
 - any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or
 - any potential conflict of interest arising from a cross-directorship otherwise; andany such Member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself/herself from all or part of the meeting of the Committee in question.

2 Secretary

- 2.1 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee.

4 Frequency of meetings

- 4.1 The Committee shall meet at least two times a year, with meetings to focus on audit planning, risk and control, year-end reporting, and interim reporting.
- 4.2 Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive and the Auditor's lead partner.

5 Notice of meetings

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the Auditor's lead partner if he/she considers it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-Executive Directors, no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6 Minutes of meetings

- 6.1 The Secretary of the Committee shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

7 Annual General Meeting (AGM)

- 7.1 The Committee Chairman should attend the annual general meeting to answer shareholder questions on the Committee's activities.

8 Duties

- 8.1 The Committee should have oversight of the group and, unless required otherwise by regulation, carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole.

Financial reporting

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the Auditor.
- 8.1.2 The Committee shall review and challenge where necessary:
- 8.1.2.1 the application of significant accounting policies and any changes to them;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the Auditor's views on the financial statements;
 - 8.1.2.4 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and risk management.
- 8.1.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation.
- 8.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

- 8.2 Internal controls and risk management systems

The Committee shall:

- 8.2.1 keep under review the Company's internal financial controls that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and
- 8.2.2 review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

- 8.3 Compliance, whistleblowing and fraud

The Committee shall:

- 8.3.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate investigation of such matters and appropriate follow up action;
- 8.3.2 review the Company's procedures for detecting fraud;
- 8.3.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

- 8.4 External audit by the Auditors

The Committee shall:

- 8.4.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Auditor;
- 8.4.2 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.4.3 if an Auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.4.4 oversee the relationship with the Auditor. In this context the Committee shall:

- 8.4.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- 8.4.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.4.5 assess annually the Auditor's independence and objectivity taking into account relevant UK law, regulation and other professional requirements and the group's relationship with the Auditor as a whole, including any threats to the Auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 8.4.6 satisfy itself that there are no relationships between the Auditor and the Company (other than in the ordinary course of business) which could adversely affect the Auditor's independence and objectivity;
- 8.4.7 monitor the Auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements including the guidance on the rotation of audit partner and staff;
- 8.4.8 monitor the level of fees paid by the Company to the Auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements and guidance;
- 8.4.9 assess annually the qualifications, expertise and resources, and independence of the Auditor and the effectiveness of the external audit process, which shall include a report from the Auditor on their own internal quality procedures;
- 8.4.10 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the Auditor's communications with the Committee;
- 8.4.11 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the Auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 8.4.11.1 threats to the independence and objectivity of the Auditor and any safeguards in place;
 - 8.4.11.2 the nature of the non-audit services;
 - 8.4.11.3 whether the Auditor firm is the most suitable supplier of the non-audit service;
 - 8.4.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.4.11.5 the criteria governing compensation;
- 8.4.12 meet regularly with the Auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year. In addition, meet with the Auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.4.13 discuss with the Auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 8.4.14 review the findings of the audit with the Auditor. This shall include but not be limited to, the following:
 - 8.4.14.1 a discussion of any major issues which arose during the audit;
 - 8.4.14.2 the Auditor's explanation of how the risks to audit quality were addressed;
 - 8.4.14.3 key accounting and audit judgements;
 - 8.4.14.4 the Auditor's view of their interactions with senior management; and
 - 8.4.14.5 levels of errors identified during the audit.

The Committee shall also:

- 8.4.15 review any representation letter(s) requested by the Auditor before they are signed by management;
- 8.4.16 review the management letter and management's response to the Auditor's findings and recommendations; and
- 8.4.17 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the Auditor, and the Auditor's response to questions from the Committee.

9 Reporting responsibilities

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- 9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
 - 9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.4.9), the approach taken to the appointment or reappointment of the Auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - 9.1.3 any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the Auditor.
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10 Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 10.2 give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code and the AIM Rules and any other applicable rules, as appropriate;
- 10.3 oversee any investigation of activities which are within its terms of reference;
- 10.4 give consideration to dividend policy and payment;
- 10.5 work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 10.6 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

11 Authority

The Committee is authorised to:

- 11.1 seek any information it requires from any employee of the Company to perform its duties;
- 11.2 obtain, at the Company's expense, legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.