

SOPHEON PLC (“THE GROUP”)

AUDIT COMMITTEE TERMS OF REFERENCE

Composition, attendees, quorum & reporting

1. The Audit Committee is a Committee of the Board (“the Board”), and reports directly to the Board. The Chairperson of the Committee is appointed by the Board. In addition to the Chairperson, the Committee comprises all non-executive directors and the Executive Chairman. At least one member of the Committee shall have significant, recent and relevant financial experience.
2. At least one of the CEO and CFO will normally be in attendance at all meetings, with the external auditors as appropriate.
3. The Committee has the authority of the Board to have access to any information or employee of the Group in the course of undertaking its responsibilities, and to obtain outside legal or other independent advice.
4. Until otherwise determined by the Committee, a quorum shall consist of two members of the Committee.
5. The Committee will have the power to co-opt external members as appropriate.
6. The Committee will continually review the training and development needs of committee members. The Chair of the Committee will ensure there will be an induction programme for new Committee members.
7. The Committee will meet not less than twice a year and additionally as may be necessary.
8. The CFO is the Secretary to Committee Meetings. Minutes of meetings will be reviewed by the Board when approved by the Committee Chairperson.
9. The Chair of the Committee (or in his/her absence, another member of the Committee) shall report to the Board at the next Board meeting.

General Objectives

1. On behalf of the Board it maintains an overview of the Group’s risk management and governance processes, ensuring that the system of internal control is satisfactory.
2. Review reports from management and auditors on the effectiveness of systems for internal control, financial reporting and risk management.
3. Consider management’s recommendation for the appointment, dismissal and fees of the auditors.

Specific Responsibilities

1. To determine the frequency and process of tendering for the external audit service.
2. To review the independence and objectivity of the auditors and matters relating to the provision of non-audit services.
3. To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors’ quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.

4. To consider the annual financial statements in conjunction with the external auditors, focusing on:
 - The quality of control arrangements put in place over the preparation of the accounts by the CFO;
 - Critical accounting policies and practices and any changes in them; • major judgemental areas;
 - The extent to which the financial statements are effected by any unusual transactions in the year and how they are disclosed; The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - Material misstatements detected by the auditors that individually or in aggregate have not been corrected, and management's explanations as to why they have not been adjusted;
 - The ongoing concern assumption;
 - Compliance with accounting standards and legal requirements;
 - The Group's statements on internal control systems prior to endorsement by the Board and reviewing the policies and processes for identifying and assessing business risks and the management of those risks; and
 - The consistency of the Chairman's Statement, Strategic Report, Remuneration Committee Report and Directors Report with the financial statements.
5. To discuss any problems or reservations arising from the annual audit and any matters the auditors may wish to discuss. The Committee may request a closed session (e.g. in the absence of management) to discuss any issues.
6. To consider the external auditors management letter (including any prior year recommendations which have not been satisfactorily addressed) and the management response, and ensure appropriate action is taken.
7. To review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
8. To consider any necessary disclosure implications concerning material internal control aspects of any significant problems disclosed in the annual report and accounts.
9. To consider the disclosure about the role, responsibilities of, and actions taken by the Audit Committee included in the Annual Report.
10. To receive regular reports from the appropriate directors of progress with implementation of agreed audit recommendations and any other actions associated with internal control, and satisfy themselves that effective and timely management action has been taken.
11. To be advised of, consider and approve or otherwise any significant changes to the prime financial and management policies, control systems, and authority levels of the Group.
12. To be advised of any instance discovered within the Group, or affecting the Group, of fraud or financial misdemeanour and obtain reassurance that satisfactory management action has been taken.
13. To periodically review and update its own terms of reference, and submit them to the Board for approval. The Committee should procure that a report is produced by a member or by the CFO, annually, to review the Committee's performance against its terms of reference and best practice, which will be also be sent to the board.