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AUDIT AND RISK COMMITTEE – TERMS OF REFERENCE

The Audit and Risk Committee (the Committee) is a committee of the board of directors (the Board) of Intelligent Ultrasound Group plc (the Group) from which it derives its authority and to which it regularly reports. The Board has established the Committee to support it in its responsibilities for ensuring the adequacy of financial reporting, risk management, internal control and governance arrangements and that funds are used efficiently and effectively.

These Terms of Reference are reviewed annually by the Committee, or when required by changes to regulation or legislation, and were most recently approved by the Board on 17 August 2022.

1. Membership of the Committee

- a. The Committee shall comprise a chair and a minimum of two other members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Committee.
- b. All members of the Committee shall:
 - i. be independent non-executive directors as determined by the Board at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing or both, such as a professional qualification from one of the professional accountancy bodies; and
 - ii. have competence relevant to the nature of the business of the Group
- c. The Board shall appoint the Committee Chair, who should be a Non-executive Director.
- d. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- e. If any member of the Committee is unable to act for any reason, the chair of the Committee may appoint any other independent non-executive director of the Group to act as their alternate.
- f. The Chair of the Group shall not normally be eligible to be appointed Chair of the Committee.
- g. The Company Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.
- h. The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.



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2. Quorum

- a. The quorum necessary for the transaction of business at a Committee meeting shall be two members present in person or by audio or video conference.

3. Meetings

- a. The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.
- b. Only members of the Committee and those entitled to attend as an observer have the right to attend Committee meetings. Any non-executive Board member is entitled to attend as an observer. However, the Chief Financial Officer, Chief Executive Officer and the external auditor will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate and with the agreement of the Committee chair.
- c. Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Group's governance, including the chair of the Board, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.
- d. The secretary of the Committee shall minute the proceedings, decisions and resolutions of all Committee meetings, including recording the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved minutes should be circulated to all other members of the Board unless a conflict of interests exists or, in the opinion of the Committee Chair and on an exceptional basis, it would be inappropriate to do so.
- e. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner if they consider it necessary. Unless otherwise agreed by the Committee, 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 no later than five 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, so far as practicable. Late papers will be accepted by agreement with the Committee Chair. Notices, agendas and supporting papers are distributed in electronic form unless otherwise agreed.

4. Duties of the Committee

- a. The Committee should have oversight of the Group as a whole and its subsidiaries.
- b. The duties of the Committee shall be as follows.



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Financial reporting

- a. Monitor the integrity of the financial statements of the Group including its annual and half-yearly reports, 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.
- b. In particular, the Committee shall review and challenge where necessary:
 - i. the application of significant accounting policies and any changes to them;
 - ii. the methods used to account for significant or unusual transactions where different approaches are possible;
 - iii. the appropriateness of the Group accounting policies and the disclosures around the significant estimates and judgements, taking into account the external auditor's views on the financial statements;
 - iv. the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
 - v. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
 - vi. the going concern assumption including the robustness of stress-testing and scenario planning, the disclosures around such analysis and whether there are any material uncertainties as to the Group's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements.

External audit

- a. have prime responsibility for the appointment of the Group's external auditor and consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Group's external auditor.
- b. Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
- c. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- d. Oversee the relationship with the external auditor including, but not limited to, assessing annually their independence and objectivity taking into account relevant professional and



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regulatory requirements and the overall relationship with the auditor, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

- e. Review the proposed audit fee and keep under review the scope and results of the audit and its cost effectiveness.
- f. Approve the terms of engagement of the external auditor, any engagement letter issued at the start of each audit and the scope of the audit.
- g. Prior to the audit commencing, discuss the nature, scope and timing with the external auditor
- h. Discuss any problems and reservations arising with the interim and final accounts audits and any matters the external auditor may wish to raise.
- i. Discuss the meaning and significance of audited figures and any notes thereto.
- j. Review any representation letter(s) requested by the external auditor before it is (they are) signed by management.
- k. Review the external auditors' evaluation of the Group's internal controls, the management letter and the management's response.
- l. Review any factors that might impair, or be perceived to impair, the external auditor's independence and objectivity. Where the external auditor also supplies a substantial volume of non-audit services to the Group, keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
- m. Meet regularly with the external 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, without management being present, to discuss the external auditor's remit and any issues arising from the audit and the effectiveness of the audit process.
- n. Arbitrate in any disputes between the external auditor and management.
- o. Consider annually an assessment by the external auditor of the quality of accounting and finance personnel in the group.
- p. Monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements.
- q. Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process.



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- r. Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit Committee and consider the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- s. Develop and recommend to the board the Group's formal policy on the provision of non-audit services by the external auditor.
- t. Discuss with the external 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.
- u. Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - i. a discussion of any major issues which arose during the audit;
 - ii. the external auditor's explanation of how the risks to audit quality were addressed;
 - iii. key accounting and audit judgements;
 - iv. the auditor's view of their interactions with senior management; and
 - v. levels of errors identified during the audit.
 - vi. 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

Risk management and internal controls

- a. Financial controls
 - i. The Committee shall keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.
- b. Risk management
 - i. The Committee shall assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures.
 - ii. The Committee shall keep under review the adequacy and effectiveness of the Group's systems on internal controls prior to endorsement by the Board, report to the Board regularly and make recommendations to the Board regarding the effectiveness of the Group's internal control systems. The Committee's reviews should include:
 - a. the authority, resources and co-ordination of those involved in the identification, assessment and management of principal risks faced by the Group;



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- b. annual reporting procedures within the annual report concerning internal control and risk management, including the assessment of principal risks.
 - iii. In support of the Board's risk management strategy, the Committee shall:
 - a. ensure the Company has the appropriate processes and systems for the effective monitoring of risk and risk appetite across the Group, by working closely with the Chief Financial Officer or other relevant personnel.
 - b. assess the policies and systems within the Group for ensuring compliance with key regulatory requirements;
 - c. review the adequacy of insurance coverage for the Group;
 - iv. The Committee shall advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.
 - v. Given the nature of the business, the Committee shall have special regard to risks relating to information security, intellectual property and relevant regulations relating to the developing fields of artificial intelligence (AI) and Software-as-a-Medical-Device (SaMD)

Internal audit

- a. The Committee should review and monitor the requirements for and the effectiveness of any internal audit activities. Where there is no internal audit function, the Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board and the reasons for the absence of such a function should be explained in the relevant section of the annual report.

Compliance

- a. The Committee shall:
 - i. review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (Whistleblowing). The Committee shall ensure that there arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
 - ii. review the Group's procedures for detecting fraud; and
 - iii. review the Group's systems and controls for the prevention of bribery, money laundering and modern slavery and other relevant regulation, and receive reports on non-compliance.
- b. Other matters
 - i. Give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Guidelines and published guidance, the provisions of the AIM Rules,



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Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

Reporting responsibilities

- a. The Committee Chair 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.
- b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- c. The Committee shall compile a report on its activities to be included in the Group's annual report. The report should describe the work of the Committee, including:
 - (i) the significant issues that the Committee considered relating to the financial statements, and how these issues were addressed;
 - (ii) an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm.
 - (iii) in the case of a Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position; and an explanation of how external auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services, having regard to matters communicated to it by the external auditor.
 - (iv) In compiling the reports, 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 Group 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.

5. Authority

- a. The Committee is authorised by the Board to:
 - i. seek and obtain any information or document it requires from any employee of the Group in order to perform its duties;
 - ii. obtain, at the Group's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so;
 - iii. call any employee of the Group to be questioned at a meeting of the Committee as and when required;



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- iv. undertake and investigate any activity within its terms of reference; and
- v. have the right to publish in the Group's annual report, details of any issues that cannot be resolved between the Committee and the Board.

6. Annual General Meeting and contact with shareholders

- a. All members of the Committee shall attend the Annual General Meeting either in person or virtually as appropriate and the Chairman of the Committee shall be prepared to respond to any shareholder's questions on the Committee's activities.