

GATELEY (HOLDINGS) PLC (the Company)
AUDIT AND RISK COMMITTEE - TERMS OF REFERENCE

The audit committee of the Company (the **Audit Committee**) was established as a board committee in accordance with the Company's articles of association by resolution of the board of directors (the **Board**) passed on 26 May 2015 and with effect from 14 December 2016 shall be known as the Audit and Risk Committee (**Audit and Risk Committee**) and these terms shall apply.

1. PURPOSE

The purposes for which the Audit and Risk Committee is established are to ensure that:

- 1.1 the Board presents a fair, balanced and understandable assessment of the Company's position and prospects;
- 1.2 the Board maintains sound risk management and internal control systems, determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives;
- 1.3 the Board maintains formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles; and
- 1.4 the Board maintains an appropriate relationship with the Company's auditor.

2. MEMBERSHIP

- 2.1 The members of the Audit and Risk Committee shall be appointed by the Board in consultation with the chair of the Audit and Risk Committee.
- 2.2 The Audit and Risk Committee shall have at least two members, at least one of whom has recent and relevant financial experience. Each member shall be an independent non-executive director, that is, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.
- 2.3 Appointments to the Audit and Risk Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years each provided the member continues to meet the criteria for membership.
- 2.4 The chair of the Audit and Risk Committee shall be appointed by the Board. The chair of the Board may not be the chair of the Audit and Risk Committee. In the absence of the chair of the Audit and Risk Committee, the remaining members present at a meeting of the Audit and Risk Committee shall elect one of their number to chair that meeting.
- 2.5 If a member is unable to act for any reason the chair of the Audit and Risk Committee may appoint another non-executive director as an additional member provided always that the majority of members of the committee shall be independent as described in paragraph 2.2 above.
- 2.6 The first members of the Audit and Risk Committee shall be Nigel Payne, Joanne Lake and Michael Seabrook and the first chair shall be Joanne Lake.

3. SECRETARY

The secretary of the Audit and Risk Committee shall be the secretary of the Company or such other person as the Audit and Risk Committee may appoint.

4. QUORUM

The quorum for all meetings of the Audit and Risk Committee shall be two members. A duly convened meeting of the Audit and Risk Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit and Risk Committee.

5. MEETINGS

- 5.1 The Audit and Risk Committee shall meet at least three times each year at appropriate times in the reporting and audit cycle and otherwise as required.

- 5.2 Meetings of the Audit and Risk Committee shall be convened by the secretary of the Audit and Risk Committee at the request of its chair. In addition, any of the following may ask the secretary of the Audit and Risk Committee to convene a meeting if he/she considers that such a meeting is necessary or appropriate:
- 5.2.1 the chair of the Audit and Risk Committee;
 - 5.2.2 the chair of the Board;
 - 5.2.3 the chief executive or the finance director of the Company; and
 - 5.2.4 the external or internal auditors of the Company.

5.3 In addition, the external auditors and the finance director of the Company may have access to the chair of the Audit and Risk Committee or any other member of the Audit and Risk Committee as required in relation to any matter falling within the remit of the Audit and Risk Committee.

5.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed, shall be forwarded to each member of the Audit and Risk Committee, any other person required to attend and all other non-executive directors of the Company, no later than five working days before the date of the meeting. Any supporting papers shall be sent to members of the Audit and Risk Committee and to other attendees, as appropriate, at the same time.

6. COMMITTEE MEETINGS BY TELEPHONE

6.1 Subject to the Company's Articles of Association in force from time to time, a meeting of the Audit and Risk Committee may consist of a conference between the members of the Audit and Risk Committee some or all of whom are in different places provided that each member of the Audit and Risk Committee may participate in the business of the meeting whether directly, by telephone or by any other electronic means which enables him:

- 6.1.1 to hear each of the other participating members of the Audit and Risk Committee, and any other person invited to attend the meeting in accordance with paragraph 7, addressing the meeting; and
- 6.1.2 if he so wishes, to address simultaneously all of the other participating members of the Audit and Risk Committee and any other person invited to attend the meeting in accordance with paragraph 7.

6.2 A quorum is deemed to be present if those members of the Audit and Risk Committee required to form a quorum as set out in paragraph 4 above may participate in the manner specified in paragraph 6.1 above in the business of the meeting.

6.3 An Audit and Risk Committee meeting held in the manner specified in paragraph 6.1 above is deemed to take place at the place where the largest group of participating members of the Audit and Risk Committee is assembled or, if no such group is readily identifiable, at the place from where the chair of the Audit and Risk Committee participates.

7. ATTENDANCE AT MEETINGS

7.1 Only members of the Audit and Risk Committee have the right to attend meetings of the Audit and Risk Committee. However, the Audit and Risk Committee may invite any person it thinks appropriate to join the members of the Audit and Risk Committee at its meetings.

7.2 The finance director and a representative of the external auditors should normally be invited to attend meetings of the Audit and Risk Committee.

7.3 At least once a year the Audit and Risk Committee shall meet with the external auditors without the finance director or any other executive director present.

8. VOTING AT MEETINGS

8.1 Each member of the Audit and Risk Committee, present and voting in person at a meeting, shall have one vote which may be cast on each matter considered at that meeting.

8.2 A member shall not be permitted to vote on any matter considered at a meeting in relation to which that member is considered by the Audit and Risk Committee to have a direct or

indirect personal interest.

- 8.3 Save where he is prevented from voting in accordance with paragraph 8.2, the chair of the Audit and Risk Committee shall have a casting vote

9. **AUTHORITY**

The Audit and Risk Committee is authorised by the Board to:

- 9.1 investigate any activity within its terms of reference;
- 9.2 seek any information it requires from any employee or director of the Company who shall be directed to co-operate with any request made by the Company;
- 9.3 have unrestricted access to the Company's external auditors;
- 9.4 obtain outside legal or other independent professional advice at the Company's expense when the Audit and Risk Committee reasonably believes it is necessary to do so;
- 9.5 instruct external professional advisers to attend any meeting at the Company's expense if the Audit and Risk Committee considers this necessary or appropriate; and
- 9.6 have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit and Risk Committee and the Board.

10. **FUNCTION, DUTIES AND TERMS OF REFERENCE**

10.1 **Financial reporting**

10.1.1 The Audit and Risk Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

10.1.2 In particular, the Audit and Risk Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

10.2 **Narrative reporting**

At the request of the Board, the Audit and Risk Committee shall review the content of the annual report and accounts and advise the Board whether, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

10.3 **Internal controls and risk management systems**

The Audit and Risk Committee shall

10.3.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;

10.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and

- 10.3.3 ensure that an adequate assessment is made of the principal risks facing the Company, including those that would affect its business model, financial performance or solvency.

10.4 Compliance, whistleblowing and fraud

The Audit and Risk Committee shall

- 10.4.1 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 Audit and Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 10.4.2 review the Company's procedures for detecting fraud;
- 10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 10.4.4 review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- 10.4.5 review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

10.5 Internal audit

The Audit and Risk Committee shall

- 10.5.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 10.5.2 approve the appointment and removal of the head of the internal audit function;
- 10.5.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit and Risk Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 10.5.4 review and assess the annual internal audit plan;
- 10.5.5 review reports addressed to the Audit and Risk Committee from the internal auditor;
- 10.5.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 10.5.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chair of the Board and to the Audit and Risk Committee.

10.6 External audit

The Audit and Risk Committee shall

- 10.6.1 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 Company's external auditor. The Audit and Risk Committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
- 10.6.2 oversee the relationship with the external auditor including (but not limited to):
 - (a) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (c) assessing annually their independence and objectivity taking into account relevant United Kingdom professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the normal and ordinary course of business);
- (e) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- (f) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (g) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
- (h) seeking to ensure co-ordination with the activities of the internal audit function;

10.6.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit and Risk Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;

10.6.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and

10.6.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- (a) a discussion of any major issues which arose during the audit;
- (b) any accounting and audit judgements;
- (c) levels of errors identified during the audit; and
- (d) the effectiveness of the audit.

10.7 **Miscellaneous**

The Audit and Risk Committee shall also:

10.7.1 review any representation letter(s) requested by the external auditor before they are signed by management;

10.7.2 review the management letter and management's response to the auditor's findings and recommendations;

10.7.3 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter; and

10.7.4 consider such other matters as may be requested by the Board from time to time.

11. **OTHER MATTERS**


The Audit and Risk Committee shall:

11.1 have access to sufficient resources in order to carry out its duties;

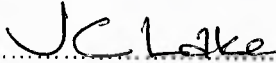
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 11.3 give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies, the AIM Rules for Companies, the United Kingdom Listing Authority's Disclosure and Transparency Rules (in so far as they apply to the Company) and any other applicable rules as appropriate;
- 11.4 be responsible for co-ordination of internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference; and
- 11.6 arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend to the Board any changes it considers necessary.

12. **REPORTING TO SHAREHOLDERS**

- 12.1 The chair of the Audit and Risk Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Audit and Risk Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
 - 12.2 The Audit and Risk Committee should report annually on the Board's behalf to the Company's shareholders. Its report should accompany the directors' report in the Company's annual report and accounts and should include such information as is required to comply with the UK Corporate Governance Code or, where the Audit and Risk Committee has determined that there are good reasons for not so complying, an explanation of those reasons. Notwithstanding the above, the Audit and Risk Committee's annual report should include:
 - 12.2.1 a summary of the role of the Audit and Risk Committee;
 - 12.2.2 the names and qualifications of all members of the Audit and Risk Committee during the relevant period;
 - 12.2.3 the number of Audit and Risk Committee meetings;
 - 12.2.4 details of the significant issues that the Audit and Risk Committee has considered in relation to the Company's financial statements and how those issues were addressed;
 - 12.2.5 an explanation of how the Audit and Risk Committee has assessed the 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, when a tenure was last conducted and any contractual obligations that acted to restrict the Audit and Risk Committee's choice of external auditor; and
 - 12.2.6 an explanation of how, if the external auditors provide non-audit services, auditor objectivity and independence is safeguarded.
 - 12.3 The chair of the Audit and Risk Committee should attend the Company's annual general meeting for the purpose of handling any questions or enquiries at the meeting about the latest audit and any other matters pertaining to the work of the Audit and Risk Committee.
- ## 13. **MINUTES**
- 13.1 The secretary of the Audit and Risk Committee shall prepare minutes of the proceedings and resolutions of committee meetings, including the names of those present and in attendance.
 - 13.2 Drafts of such minutes shall be circulated promptly to all members of the Audit and Risk Committee and, once approved, the minutes shall be submitted to all members of the Board (unless to do so would be inappropriate).
 - 13.3 The recommendations made in the minutes of the Audit and Risk Committee must be approved by the Board before they can be implemented.



.....
Director
for and on behalf of
the board of directors of Gateley (Holdings) plc



.....
Director
for and on behalf of
the Audit Committee of
the board of directors of Gateley (Holdings) plc

Date: 14 December 2016