Lakehouse

LAKEHOUSE PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

(Approved by the Board on 17 March 2015)

1. PURPOSE

The purpose of the Committee is to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the UK Corporate Governance Code, and to maintain an appropriate relationship with the Company's auditors, as required by section C.3 of the UK Corporate Governance Code.

2. CONSTITUTION AND MEMBERSHIP

2.1 The Audit Committee has been established as a committee of the Board by resolution of the Board.

2.2 The members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chairman of the audit committee. The Committee shall comprise at least two members, all of whom shall be independent non-executive directors. At least one member of the Committee should have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.

2.3 The chairman of the Committee shall be appointed by the Board, on the recommendation of the nomination committee. In the absence of the chairman of the Committee, the members present shall select one of their number present to chair the meeting.

2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

2.5 The Company Secretary shall act as the secretary of the Committee. Where the Company Secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

3. ATTENDANCE

3.1 The Committee shall invite a representative of the external auditors and the head of the internal audit function to attend meetings of the Committee on a regular basis. The Committee should have at least one meeting, or part of a meeting, with the external auditors without management being present.

3.2 The Committee may request the Chairman, Chief Executive, Finance Director and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have no right of attendance.

3.3 The Committee shall meet the head of internal audit at least once a year without management being present. In addition the head of the internal audit function shall have the right of direct access to the chairman of the Committee.

4. MEETINGS

4.1 The Committee will meet at least three times each year, normally in December/

January, May and July/August, having regard to the Company's financial reporting and audit cycle, and at such other times as the chairman of the Committee shall think fit.

4.2 Meetings of the Committee will be arranged to tie in with the publication of the Company's financial statements. Meetings should be held at least five working days prior to any board meeting at which accounts or financial statements are to be approved, unless all the members of the Committee agree otherwise. Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences.

4.3 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the chairman of the Committee, or at the request of external or internal auditors if they consider it necessary.

4.4 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting.

4.5 The quorum for meetings of the Committee shall be two members. Ideally, one of those members should have recent and relevant financial experience, although meetings may nevertheless proceed if there are two other members available.

4.6 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, the chairman of the Committee will have a second or casting vote.

5. REPORTING

5.1 Sufficient time should be allowed after committee meetings for the committee to report to the board on the nature and content of discussion, on recommendations, and on actions to be taken. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board and to the Company Secretary unless it would be inappropriate to do so.

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

5.2.1 the significant issues that it considered in relation to the financial statements (required under paragraph 6.1.1) and how these were addressed;

5.2.2 its assessment of the effectiveness of the external audit process (required under paragraph 6.5) and its recommendation on the appointment or reappointment of the external auditor; and

5.2.3 any other issue on which the Board had requested the Committee's opinion.

5.3 The Committee shall make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.

5.4 The Committee shall prepare a report on its activities to be included in the Company's annual report and accounts.

5.5 The report shall include an explanation of how the committee has addressed:

5.5.1 the effectiveness of the external audit process;

5.5.2 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; and

5.5.3 all other information requirements set out in the UK Corporate Governance Code.

5.6 The chairman of the Committee should be present at the Company's AGM to respond to questions on matters within the responsibility of the Committee.

5.7 In compiling the reports referred to in paragraphs 5.2 and 5.5 above, the Committee should exercise judgment 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.

5.8 The Committee shall make available to shareholders these Terms of Reference by placing them on the Company's website.

6. DUTIES OF THE COMMITTEE

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

6.1 Financial Statements

6.1.1 The Committee shall monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing and reporting to the board on significant financial reporting issues and judgements contained in them having regard to matters communicated to it by the auditor.

6.1.2 In particular, the Committee shall review and challenge where necessary:

6.1.2.1 the consistency of, and any changes to, significant accounting policies both on a

year on year basis and across the Company/group;

6.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

6.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

6.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

6.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statement relating to the audit and to risk management.

6.1.3 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.

6.2 Narrative reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

6.3 Internal Control and Risk Assessment Systems

The Committee shall

6.3.1 keep under review the adequacy and effectiveness of the Company's internal financial reporting and internal control policies and systems, covering all material controls, including financial, operational and compliance controls, and the Company's procedures for the identification, assessment, management and reporting of risks; and

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

6.4 Compliance, Whistleblowing and Fraud

The Committee shall:

6.4.1 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 Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

6.4.2 review the Company's procedures for detecting fraud;

6.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

6.4.4 review regular reports from the Finance Director (or such other person who is

responsible for compliance with money laundering regulations) and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and

6.4.5 review regular reports from the Finance Director (or such other person who is responsible for compliance matters) and keep under review the adequacy and effectiveness of the company's compliance function.

6.5 Internal Audit

The Committee shall:

6.5.1 approve the appointment or termination of appointment of the head of the internal audit function;

6.5.2 review and approve the remit of the internal audit function and ensure it has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the appropriate professional standards for internal auditors;

6.5.3 ensure that the internal auditor has direct access to the board chairman and to the committee chairman and is accountable to the committee;

6.5.4 review and assess the annual internal audit plan;

6.5.5 receive a report on the results of the internal auditor's work on a periodic basis;

6.5.6 review and monitor management's responsiveness to the internal auditor's findings and recommendations;

6.5.7 meet the head of internal audit at least once a year, without management being present; and

6.5.8 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

6.6 External Audit

The Committee shall:

6.6.1 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 Company's external auditor;

6.6.2 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 all tendering firms have such access as is necessary to information and individuals during the tendering process;

6.6.3 if an auditor resigns investigate the issues leading to this and decide whether any action is required;

6.6.4 oversee the relationship with the external auditor including (but not limited to):

6.6.4.1 recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

6.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

6.6.4.3 assessing annually their independence and objectively taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

6.6.4.4 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 ordinary course of business) which could adversely effect the auditors independence and objectivity;

6.6.4.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor's, and monitoring the implementation of this policy;

6.6.4.6 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;

6.6.4.7 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;

6.6.4.8 seeking to ensure co-ordination with the activities of the internal audit function; and

6.6.4.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal of their auditor from the market in that evaluation;

6.6.5 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 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;

6.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to seniority, expertise and experience of the audit team; and

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

6.6.7.1 a discussion of any major issues which arose during the audit;

6.6.7.2 key accounting and audit judgements;

6.6.7.3 levels of errors identified during the audit; and

6.6.7.4 the effectiveness of the audit.

The Committee shall also:

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

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

6.6.10 develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to audit an objectivity and independence, taking into account any relevant ethical guidance on the matter.

7. OTHER MATTERS

The Committee shall:

7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

7.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;

7.4 be responsible for co-ordination of the internal and external auditors;

7.5 oversee any investigation of activities which are within its terms of reference

7.6 work and liaise as necessary with other Board committees; and

7.7 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.

8. AUTHORITY

The Committee is authorised to:

8.1 seek any information it requires from any employees or officers in order to perform its duties;

8.2 obtain, at the Company's expense, expert independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

8.3 call any employee to be questioned at a meeting of the Committee as and when required; and

8.4 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.

These terms of reference were adopted by resolution of the Board passed on 17/03/2015.