



LAKEHOUSE PLC

(Incorporated and registered in England and Wales under the Companies Act 2006
with registered number 9411297)

Directors:

Chris Geoghegan (*Non-Executive Chairman*)
Stuart Black (*Chief Executive Officer*)
Jeremy Simpson (*Chief Financial Officer*)
Michael McMahon (*Executive Director*)
Jill Ainscough (*Non-Executive Director*)
Johnathan Ford (*Non-Executive Director*)

Registered Office:

1 King George Close
Romford
Essex
RM7 7LS

4 April 2016

Dear Lakehouse Shareholder

**YOUR BOARD CONTINUES TO RECOMMEND UNANIMOUSLY THAT YOU
VOTE AGAINST THE RESOLUTIONS PROPOSED BY THE REQUISITIONISTS.**

1. INTRODUCTION

On 24 March 2016, your Board announced that it had posted a circular to Lakehouse Shareholders (the "**Circular**") containing a notice convening a general meeting of Lakehouse Shareholders to consider resolutions proposed by Slater Investments Limited and Steve Rawlings. Save where otherwise defined herein, capitalised terms and expressions have the meanings given to them in the Circular.

On 31 March 2016, the Company received a statement from the Requisitionists in response to the Circular (the "**Requisitionists' Statement**"), which the Company is obliged to circulate to Lakehouse Shareholders pursuant to section 315 of the Companies Act 2006.

The text of the Requisitionists' Statement is included in the appendix to this letter.

Your Board's response to the Requisitionists' Statement is set out in detail at paragraph 2 below. In summary, we would draw the following points to your attention:

1. the Requisitionists have again failed to set out any alternative strategic vision and/or business plan;
2. the Board confirmed publicly on 24 March 2016 that the Company remains on track to deliver on its revised expectations for the current financial year;
3. the Board and executive management team at Lakehouse, all of the latter being Lakehouse Shareholders, have already taken action in response to the trading issues of the Group reported in February 2016;
4. the Requisitionists' actions have already caused, and continue to cause, considerable uncertainty amongst, and have a destabilising effect on, the executive management team and other Group employees, customers, suppliers and other partners and stakeholders;
5. the Board has already committed to appoint a fourth Non-Executive Director;

6. the Board still has concerns and questions as to the ability of the Alternative Non-Executive Directors to add immediate value to the Group;
7. the proposed changes to the composition of the Board would significantly reduce the level of independence on your Board; and
8. the Requisitionists now acknowledge that their proposed Board composition would not comply with the UK Corporate Governance Code.

2. **RESPONSE TO THE REQUISITIONISTS' STATEMENT**

The Requisitionists have still not provided any information in relation to their strategic vision for the Company

As set out in the Circular, your Board has a clear and established strategy to grow the Lakehouse business based on organic growth supplemented by targeted, value-enhancing acquisitions. Slater Investments Limited bought into the Board's strategy at the IPO and then supported it at the recent AGM.

In contrast, notwithstanding the opportunity to do so in their statement, the Requisitionists have still chosen not to provide any alternative strategic vision and/or business plan for the Group. Moreover, it seems clear to the Board that the Requisitionists are simply asking that Lakehouse Shareholders trust that their proposed candidates will identify the action required to be taken once elected.

The Board believes that the lack of any specific information as to the Requisitionists' plans (if, indeed, they have any at this stage) exposes Lakehouse Shareholders to unknown strategic changes, has already damaged Lakehouse's commercial reputation and risks doing so further.

Your Board continues to have concerns and questions regarding the Alternative Non-Executive Directors

The Requisitionists have criticised the Board for questioning the suitability of the Alternative Non-Executive Directors. However, the Board was simply presented with a requisition notice to remove all the recently re-elected independent non-executive directors from the Board (in respect of whose re-election Slater Investments Limited had recently voted in favour at the AGM). The Alternative Non-Executive Directors were proposed absent any detailed rationale or strategy. It is therefore incumbent upon your Board to assess the candidates proposed and, in doing so, seek to promote the success of the Company and to act in the best interests of Lakehouse Shareholders as a whole. This is consistent with their statutory duties as directors and the requirements of the UK Corporate Governance Code.

As you will be aware, the Board announced its intention to seek a fourth independent Non-Executive Director on 8 March 2016. Reflecting on the views expressed by some Lakehouse Shareholders, members of the Board did meet with Slater Investments Limited on Tuesday 22 March 2016 to discuss appointing that fourth Non-Executive Director, subject always to having the Board's specific concerns regarding any such candidate(s) addressed. Your Board considered this action sensible and appropriate in order to avoid the further adverse disruption and unnecessary cost that the Company has since suffered.

With regards to the track records of the proposed directors presented by the Requisitionists:

Steve Rawlings

As set out in the Circular, whilst respecting his significant contribution as the founder of the original Lakehouse business, the Group is now very different to when Steve Rawlings was actively involved in it and your Board does not believe that he has the necessary skill set to be able to provide a meaningful contribution to the Board or the Group going forward. Indeed

the Board are concerned that his actions throughout this process undermine his own view that he is suitable to be a director of a listed company.

The Requisitionists state that Steve Rawlings left the Board in 2015 following the successful flotation of Lakehouse on the London Stock Exchange. However, while he formally resigned as a director at the time of the IPO, Steve Rawlings effectively left the Board in 2012 (having ceased to attend any Board meetings since February that year). As a result, he did not have any involvement in the Board decisions taken relating to the strategic direction of the Group and its day-to-day operations since 2012.

Notwithstanding this absence from the boardroom, it appears to your Board that the Requisitionists are implying that Steve Rawlings should take sole credit for the trading performance and growth of the Group since 2008. As set out in the Circular, in 2008 Stuart Black was invited by Steve Rawlings to formulate a new business plan and growth strategy for the Group. The Board notes that in the year to 30 September 2008 (the year before Stuart Black joined), the Company reported turnover of approximately £50.6 million and an operating profit of approximately £0.9 million. Some three years into the new business plan, in the year to 30 September 2011, (the final year in which Steve Rawlings was actively involved in the business), the Company reported turnover of approximately £106.7 million and operating profit of approximately £2.87 million.

The subsequent near tripling in the Group's reported turnover to in excess of £300 million between 2011 and IPO was actually achieved under the stewardship of Stuart Black and the existing management team rather than being due to Steve Rawlings.

Moreover the Board notes that all except one of the five awards referred to in Steve Rawlings' biography were awarded to the Group, rather than him personally, in the period after Stuart Black was appointed as Executive Chairman. Such awards recognise the hard work and dedication of all members of the Lakehouse workforce.

Ric Piper

Ric Piper undoubtedly has the experience required to be a non-executive director of a listed company and this has never been questioned by the Board. However, the Requisitionists' Statement fails to mention that, in addition to being a partner at Restoration Partners Limited and his roles as the Senior Independent Director at both Matchtech Group plc and Waterman Group plc, he is also the sole independent non-executive director at AIM-quoted Turbo Power Systems, Inc. It is this workload, together with his membership of the Financial Reporting Review Panel now highlighted in the Requisitionists' Statement, that gives rise to the Board's concern as to whether he would be able to devote sufficient time to the Company.

Robert Legget

Again, the Requisitionists' Statement merely serves to confirm your Board's observation of the relative lack of recent listed company board experience of Robert Legget. He resigned from his directorships at Quayle Munro Holdings plc and Foreign & Colonial Private Equity Trust plc on 24 February 2000 and 26 May 2009 respectively.

An independent Lakehouse Board, without any significant shareholder representation, still represents the best corporate governance structure for Lakehouse Shareholders

As set out in the Circular, your Board firmly believes in the value of corporate governance and in maintaining an effective and diverse board of directors in compliance with the UK Corporate Governance Code. Moreover, the Company is recognised as having good governance practices.

The Requisitionists have alleged that there is a “serious governance deficit” at the Company – your Board strongly refutes this. Not only have the Requisitionists failed to provide any evidence to support their opinion but, as we have already identified in the Circular, their proposals would in fact damage the Company’s corporate governance structure by reducing the level of independence on the Board. Under their proposals, the Board would contain just two independent non-executive directors, representing only a third of the board rather than the half today, with the majority of the directors being executives or former employees. Furthermore, all of the Company’s non-executive directors would have been proposed by the Requisitionists, in contrast to the current Board which, once a fourth independent non-executive has been appointed, would comprise a majority of independent non-executives, a composition that the Requisitionists are asking you to vote against.

Under the Requisitionists’ proposals, the composition of all of the board committees would also no longer be compliant with the requirements of the UK Corporate Governance Code.

Indeed, the Requisitionists now acknowledge that their proposals do not provide appropriate or adequate governance on the Board by stating that their candidates have “*committed to addressing, in due course, the ratio of executive and Non-Executive Directors to ensure compliance with best practice and the UK Corporate Governance Code*”.

Again, Lakehouse Shareholders are essentially being asked to trust the Requisitionists in populating a board with their candidates to take the Company forward and to trust further that compliance with corporate governance best practice will be addressed at some undefined point in the future.

Slater Investments Limited has stated that their candidates will initially focus on far more important issues than corporate governance. Lakehouse Shareholders should be very assured that the Board remains wholly committed to getting the business back on track and increasing value for all Lakehouse Shareholders.

To re-iterate, Lakehouse is recognised as having good governance practices and already has three independent, skilled and experienced non-executive directors recruited through a rigorous process, and is actively currently seeking a fourth.

Your Board remains committed and focused on ensuring the Company realises its potential and believes that it does have a firm grip on the stewardship of the Company and its prospects

The Requisitionists have claimed that the Board does not have “a firm grip” on the Company and its prospects and they appear to be blaming the recent trading performance solely on the Existing Non-Executive Directors.

The Board refutes this entirely.

As you will be aware, members of your Board hold 13,981,496 Lakehouse Shares (representing approximately 8.9 per cent. of the Company’s issued share capital as at the date of this letter) and all the Executive Directors and Johnathan Ford demonstrated their commitment to the Company and its prospects by purchasing shares in the market in the period immediately after the Trading Statement. Moreover, the Group’s executive management team hold 5,534,785 Lakehouse Shares (representing 3.51 per cent. of the Company’s issued share capital as at the date of this letter). It is misleading to suggest that only Steve Rawlings is highly motivated to get the Group back on track and to secure a successful future for it.

The replacement of the Existing Non-Executive Directors with the completely new Alternative Non-Executive Directors would undoubtedly cause some further disruption and potential issues for the existing executive team and employees.

In their statement, the Requisitionists appear to be implying that your Board, in particular the Existing Non-Executive Directors, have not taken any action to get the business back on track since 1 February 2016. This is absolutely not the case and Lakehouse Shareholders will have noted that in fact, since the Trading Statement, the Company has, under the stewardship of the Board, confirmed on 24 March 2016 that it remains on track to deliver its revised expectations for the current financial year. Indeed, as the Group identified in the Circular, the Requisitionists' actions have already caused, and continue to cause, considerable uncertainty amongst, and have a destabilising effect on, the executive management team and other Group employees, customers, suppliers and other partners and stakeholders.

The Trading Statement was clearly disappointing for the Board and the Company as a whole. However, the reasons behind it were explained and discussed both at the time of the announcement and again at our recent AGM. Slater Investments Limited chose not to attend the AGM and, as such, did not join in those discussions relating to the Trading Statement. However, Slater Investments Limited nevertheless voted in favour of the re-election of the entire Board at the AGM which took place four days after the Trading Statement. Interestingly, at a meeting following the Trading Statement, privately Slater Investments Limited acknowledged to our then Executive Chairman that, while disappointing, issues with trading performance are not unique and do arise in the course of a company's existence.

Finally, the Requisitionists have stated that their proposed candidates will continue to work with the existing executives to restore shareholder value and enable the Company to realise its potential. As a Board, we are pleased to note that the Requisitionists do acknowledge the Group's potential but we remain steadfast in our belief that replacing all of the Existing Non-Executive Directors at this important time is wholly unnecessary and that the Requisitionists' proposals would reduce independence on the Board, damage the Company's compliance with the UK Corporate Governance Code and provide a voice to one particular group of Lakehouse Shareholders in preference to others.

3. YOUR BOARD'S RECOMMENDATION

For the reasons set out in the Circular and in paragraph 2 above, the Board of Lakehouse continues to believe that the Resolutions proposed by the Requisitionists are, in each case, not in the best interests of the Company or Lakehouse Shareholders as a whole.

Accordingly, the Board continues to unanimously recommend that all Lakehouse Shareholders VOTE AGAINST the Resolutions at the General Meeting, as all the Directors have irrevocably undertaken to do in respect of their aggregate beneficial holdings of 13,981,496 Lakehouse Shares (representing approximately 8.9 per cent. of the issued share capital of the Company).

4. ACTION TO BE TAKEN

You will find, set out at the end of the Circular, a Notice convening the General Meeting, to be held at 2.30 p.m. on 19 April 2016 at the offices of Eversheds LLP, One Wood Street, London EC2V 7WS, at which the Resolutions will be considered. The full text of the Resolutions is set out in the Notice. Voting at the General Meeting will be by poll and not on a show of hands and each Lakehouse Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Lakehouse Share held.

You should have found enclosed with the Circular a Form of Proxy for use at the General Meeting or any adjournment thereof. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it so as to be

received by the Company's registrars, Capita Asset Services, at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, and in any event, no later than 2.30 p.m. on 15 April 2016 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

Guidance on completing your Form of Proxy is set out on page 15 of the Circular.

If you hold Lakehouse Shares in CREST and you wish to appoint a proxy or proxies for the General Meeting or any adjournment(s) thereof by using the CREST electronic proxy appointment service, you may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST (under CREST ID RA10) must be sent as soon as possible and, in any event, so as to be received by the Company's registrars, Capita Asset Services, by no later than 2.30 p.m. on 15 April 2016 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting).

Shareholders wishing to complete their paper Form of Proxy in line with the Board's recommendations should place an "X" in the boxes under the heading "Against".

If you did not receive a Form of Proxy and wish to request one, or if you have any questions about the contents of the Circular or this letter, the General Meeting and/or the completion and return of the Form of Proxy, please telephone Capita Asset Services on 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) if you wish to do so and are so entitled.

Yours faithfully,

Chris Geoghegan
Chairman

APPENDIX: LETTER FROM SLATER INVESTMENTS LIMITED AND STEVE RAWLINGS

Thursday, 31 March 2016

Dear Lakehouse Shareholder,

You received a notice of seven ordinary resolutions to be considered, and if thought fit, passed at the forthcoming requisitioned General Meeting of Lakehouse plc ("**Lakehouse**" or "**the Company**") at the offices of Eversheds at 1 Wood Street, London EC2V 7WS on 19th April at 2.30pm.

We have called a General Meeting to address the serious governance deficit on the Board by proposing the appointment of individuals with the skills necessary to assist the executives in restoring shareholder value.

We ask you to support our resolutions to remove three Non-Executive Directors and replace them with three very capable candidates – Steve Rawlings, Robert Legget and Ric Piper.

Please vote in favour of all resolutions.

Why are we taking action now?

Lakehouse's history as a public company is short and disappointing. Lakehouse listed on 23rd March 2015 at a price of 89p per ordinary share. On 10th December 2015, Stuart Black, at the time the Company's Executive Chairman, reported that "the Board remains confident for the current financial year." Only eight weeks later, on 1st February 2016, the same Board issued a major profit warning. The share price fell 58 per cent. from 84p to 35p. Since we requisitioned this General Meeting the shares have rallied a little. We do not believe that the Board has a firm grip on the Company and its prospects.

We believe that our three candidates for the Board will bring much needed perspective, experience and energy to the Company and enable it to realise its potential. We believe the proposed candidates will be able to identify quickly action that is needed and to develop, with the executives, a strategy to restore shareholder value.

The Board Response to our action

The Board's response to our calling a meeting of the shareholders was received badly by the stock market. Crucially, the Board did not address its own disastrous stewardship of Lakehouse and failed to offer any positive reasons why it deserves your support. Instead, the Board questioned the suitability of the individuals we proposed. Privately, however, the Board thought differently and decided two of them were suitable as Non-Executive Directors in the event we abandoned the Requisition.

The new Non-Executive Directors

Steve Rawlings has demonstrated a lifetime of successful entrepreneurship and accomplishment. In 1988 he founded Lakehouse leaving the Board in 2015 following a successful flotation on the London Stock Exchange with a turnover of over £300M. He is also the founder and lifetime president of Building Lives Foundation – a charitable trust delivering training and jobs in the construction industry to hundreds of unemployed Londoners. His achievements have been recognised by numerous awards, including Building Contractor of the Year (twice), two Queen's Awards and inclusion in the Sunday Times top 100 best companies to work for. Steve remains the largest shareholder in Lakehouse and has spent most of his working life developing its business. He is, therefore, both highly motivated and very well qualified to help restore value.

Robert Legget co-founded Progressive Value Management Limited in 2000 and is Managing Director. His firm specialises in creating value and liquidity for institutional investors from illiquid holdings in underperforming companies. In this role he has had significant engagement with public company boards. He was a director of Quayle Munro Holdings plc and Foreign & Colonial Private Equity Trust plc. We believe his experience in turning around underperforming companies will be of considerable value to the Company.

Ric Piper qualified as a Chartered Accountant in 1977. His current directorships include being Senior Independent Director at Matchtech (since 2006) and Waterman (since 2013). He has held senior finance roles in ICI, Citicorp and Logica, becoming Finance Director of Logica (UK). He was Group Finance Director of WS Atkins from 1993 to 2002. He has been involved at Board level and has advised on the growth and development of Main Market, AIM and privately owned companies. Ric is a partner at Restoration Partners and a member of the Financial Reporting Review Panel. His broad-based experience as a non-executive director and of growing and developing companies will, we believe, be invaluable to Lakehouse.

What will the new Non-Executive Directors do?

If the individuals we have nominated are elected to the Board, we believe that they will focus initially on the critical questions of what has gone wrong at Lakehouse and how best to get the Company back on track. This is the best way to restore shareholder value.

They have also committed to addressing, in due course, the ratio of executive and Non-Executive Directors to ensure compliance with best practice and the UK Corporate Governance Code.

What action should shareholders take?

We urge you to vote in favour of all seven resolutions to be proposed at the General Meeting as we intend to do in respect of 33,968,128 Ordinary Shares of 10 pence each held by us (21.56 per cent. of the issued share capital).

We believe that the approval of these resolutions will greatly enhance the chances of improving the value of Lakehouse for the benefit of all shareholders.

Yours faithfully,

Steve Rawlings of Building Lives Training Academy, The Gateway Centre, 66 Lancaster Street, London SE1 0RZ

Director

Signed for and on behalf of Slater Investments Limited of Nicholas House, 3 Laurence Pountney Hill, London EC4R 0EU