



Dated 1st July 2009

LSL PROPERTY SERVICES PLC

AUDIT COMMITTEE - TERMS OF REFERENCE

LSL PROPERTY SERVICES PLC (the "Company")

AUDIT COMMITTEE - TERMS OF REFERENCE (the "Committee")

INTRODUCTION

The Combined Code on Corporate Governance published by the Financial Reporting Council (the "**Combined Code**") states that:

"The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the companies auditors".

A copy of the Combined Code, should members of the Committee need to consult it, can be obtained from the Company Secretary.

CONSTITUTION

- 1.** The members of the Audit Committee for the time being shall be:

Mark Morris (Chairman)
Mark Pain
Roger Matthews
- 2.** The Committee shall consist of a minimum of 2 members appointed by the Board on the recommendation of the Nominations Committee in consultation with the Chairman of the Committee, membership being confined to independent non-executive directors in accordance with A.3.1 of the Combined Code. The Chairman of the Committee, who shall be an independent non-executive director, shall be appointed by the Board on the recommendation of the Nominations Committee which shall determine the period for which he/she shall hold office. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to Chair the meeting. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee. The Company Secretary shall act as the Secretary of the Committee.
- 3.** At least one member of the Committee should have recent and relevant financial knowledge.
- 4.** The quorum for decisions of the Committee shall be any 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.

ROLE

- 5.** The overall purpose of the Committee shall be to:

- 5.1** ensure that the Group's accounting and financial policies and controls are proper, effective and adequate;
- 5.2** ensure that internal and external auditing processes are properly co-ordinated and work effectively;
- 5.3** ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance published by the Company including its annual and interim reports and preliminary results' announcements, reviewing significant financial reporting issues and judgments contained in them; and
- 5.4** keep under review the nature and extent of non-audit services provided by the Company's Auditors.
- 6.** The Committee shall:
 - 6.1** make recommendations to the Board for it to put to the shareholders in general meeting about the appointment, re-appointment, removal, remuneration and terms of engagement of the Company's Auditors;
 - 6.2** meet with the Company's Auditors before the start of each annual audit to consider the nature and scope of the audit (and, where more than one audit firm is involved, monitoring co-ordination between them) and post audit at the reporting stage;
 - 6.3** review and monitor the results and effectiveness of the audit and the independence and objectivity of the Company's Auditors, taking into consideration relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
 - 6.4** develop and implement policy on the engagement of the Company's Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Auditors and report to the Board identifying any matters in respect of which it considers that action or improvement is needed making recommendations on the steps to be taken;
 - 6.5** meet the Board formally at least twice each year to discuss matters such as the annual report, the relationship with the external auditors and such other matters within its duties and responsibilities;
 - 6.6** prepare a report to shareholders to be included in the Company's Annual Report and Accounts which shall include:
 - 6.6.1** if there is no internal audit function, the reasons for the absence of such a function;
 - 6.6.2** if the Board has not accepted the Committee's recommendations about the appointment, re-appointment or removal of the Company's Auditors, a statement explaining their recommendation and the reasons why the Board has taken a different position; and
 - 6.6.3** if the Company's Auditors provide non-audit services, how auditor objectivity and independence is safeguarded;

- 6.7** review the Company's financial statements including its annual and interim reports, preliminary results' announcements, summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents before their submission to the full Board, focusing in particular on:
- 6.7.1** any changes in accounting policies and practices;
 - 6.7.2** major judgemental areas;
 - 6.7.3** significant adjustments arising from the audit;
 - 6.7.4** the "going concern" assumption;
 - 6.7.5** compliance with accounting standards;
 - 6.7.6** the extent to which the financial statements are affected by any unusual transactions; and
 - 6.7.7** compliance with legal Financial Services Authority and/or London Stock Exchange requirements;
- 6.8** discuss, in the absence of the executive directors (if appropriate), any problems or reservations which the Company's Auditors may have arising from final audits and any interim audits or otherwise;
- 6.9** review the external Company's Auditors' management letter and management's response;
- 6.10** review and approve the statement to be included in the annual report on the Board's review of the effectiveness of its internal control systems and risk management prior to endorsement by the Board;
- 6.11** review the effectiveness of the internal financial control, financial reporting and risk management systems of the Group and regularly review the effectiveness of the Company's internal audit function. If there is no such function, the Committee should consider annually if there is a need for an internal audit function and make a recommendation to the Board;
- 6.12** consider the major findings of the Company's Auditors (including any management letters from the Company's Auditors) and/or internal investigations and management's response to those findings and investigations;
- 6.13** consider the requirements of the Listing Rules issued by the Financial Services Authority, the Combined Code and the Smith Guidance on Audit Committees;
- 6.14** review the Company's arrangements for its employees 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; and

- 6.15** consider any other matter specifically referred to the Committee by the Board.

PROCEDURE

- 7.** Only members of the Committee have the right to attend Committee meetings. However, the Company's Auditors and the Company's Chairman, Chief Executive or Finance Director may attend and speak at meetings of the Committee and at least once each year representatives of the Company's Auditors and the head of internal audit shall meet the Committee without any executive directors being present, except by invitation of the Committee.
- 8.** The Committee shall meet at least three times each year at appropriate times in the reporting cycle and at such other times as the Chairman of the Committee shall require. The Company's Auditors may request a meeting if they consider it necessary. Meetings may also be called at the request of any member of the Committee.
- 9.** At least 21 days' notice of any meeting of the Committee shall be given, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. The notice shall specify the venue, time and date, together with an agenda of items to be discussed.
- 10.** The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The minutes of the meeting of the Committee shall be circulated promptly to all members of the Committee and, once agreed, the Board and to the Company's Auditors.
- 11.** All decisions of the Committee shall be reported to the Board.
- 12.** The Chairman of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities.
- 13.** The Board authorises the Committee:
- 13.1** to investigate any activity within its terms of reference and seek directly any information it requires from any employee or contractor of the Company (all such persons being directed to co-operate with any such request by the Committee);
- 13.2** to obtain outside legal or other independent professional advice at the cost of the Company to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Committee); and
- 13.3** to call any member of staff to be questioned at a meeting of the Committee as and when required.
- 14.** The Committee shall 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.
- 15.** The Committee shall conduct an annual review of its work and these terms of reference and shall make recommendations to the Board.

- 16.** References in these terms of reference to the "**Group**" mean the Company, its subsidiaries and its subsidiary undertakings.
- 17.** The Committee should make available these terms of reference explaining its role and the authority delegated to it by the Board.

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