

LOMBARD GROUP LIMITED

AUDIT COMMITTEE CHARTER

1. Purpose

The purpose of the audit committee is to provide assistance to the directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the group, and the quality and integrity of financial reports of the company. In doing so, it is the responsibility of the committee to maintain free and open communications between the directors, the external auditors, the internal auditors and the financial management of the group.

In carrying out its responsibilities the committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the group are in accordance with all requirements and are of the highest quality.

Disclosure

The committee will ensure that:

- The Audit Committee Charter appears on the company website;
- The committee agenda and minutes are distributed to all board members regardless whether they are members of the committee.

Access and Authority

- The committee shall have all necessary access to, and the authority of the board to seek any information it requires from any employee to fulfill its function, duties and responsibilities. All employees will be directed to cooperate with any request made by the committee;
- The committee will have unrestricted access to the internal and external auditors;
- The committee shall have the authority of the board to obtain independent professional advice and expertise if it considers this necessary;
- The committee members [other than the financial expert] do not represent themselves to be experts in the disciplines of accounting or auditing, As such, it is not the responsibility of the committee personally to conduct accounting or auditing reviews or procedures.

2. Terms of Reference

The committee provides oversight in four distinct areas:

- (a) Governance;
- (b) Financial reporting;
- (c) Audit functions;
- (d) Risk management functions.

Governance

In carrying out its responsibilities, the committee will:

- Obtain the full board of directors approval of this Charter and review and reassess this Charter as conditions dictate [at least annually];
- Review and recommend to the directors the external auditors to be selected to audit the financial statements of the company and its subsidiaries;
- Have a clear understanding with the external auditors that they are ultimately accountable to the board of directors who, as the shareholders representatives, have the ultimate authority to engage, evaluate and if appropriate terminate their services;
- Review and concur with management's appointment termination or replacement of internal audit service providers;
- Provide sufficient opportunity for the internal and external auditors to meet with members of the committee without management present. Among the items to be discussed at these meetings are the external auditors evaluation of the company's financial, accounting, and auditing personnel, and the cooperation that the external auditors received during the course of the audit;
- Submit the minutes of all meetings of the committee to, or discuss the matters discussed at each committee meeting with, the board;
- Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate;

Financial Reporting

In carrying out these responsibilities the committee will:

- Review the financial statements contained in the Annual report to shareholders with management and the external auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders;
- Review with financial management and the external auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in or adoptions of accounting principles and disclosure practices, and discuss any other matters required to be communicated to the committee by the auditors;
- Review with financial management and the external auditors their judgments about the quality and not just acceptability of accounting principles, and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the organisation's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements;
- Review financial reports required under NZX listing rules before they are issued to the market.

Audit functions

In carrying out these responsibilities, the committee will:

- Meet with the external auditors and financial management of the company to review the scope of the proposed audit and half year review for the current year and the procedures to be utilized, the adequacy of the external auditor's compensation, and at the conclusion thereof, review such audit or review, including any comments or recommendations of the external auditors;
- Review reports received from regulators and other legal and regulatory bodies, matters that may have a material effect on the financial statements or related company compliance policies;
- Review the internal audit function of the company, the proposed audit plans for the coming year and the coordination of such plans with the external auditors;
- Receive on a regular basis a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan;
- Report the results of the annual audit to the board. If requested by the board, invite the external auditors to attend the full board meeting to assist in reporting the results of the annual audit or to answer other directors' questions [alternatively, the other directors, particularly the independent directors, may be invited to attend the committee meeting during which the results of the annual audit are reviewed];
- Review the nature and scope of other professional services provided to the company by the external auditors and consider the relationship to the auditor's independence;
- On an annual basis assessing and confirming to the board the independence of the external auditor;
- Make recommendations to the board as to the appointment or discharge of external auditors;
- Establish the external auditors fees, subject to shareholder approval;
- On a quarterly basis, review and monitor the quantum of non audit fees.

Internal Audit

A senior executive has responsibility for internal auditing with an unrestricted mandate, and with access to such resources as the incumbent considers necessary. The Audit Committee and the CEO have agreed a process, under which any unresolved issues can be brought to the attention of the Chairman of the Audit Committee within seven working days. The internal audit plan is agreed between the Audit Committee and the internal auditor annually, and this plan is reviewed at each Committee meeting.

Risk management function

The board is responsible for risk management generally and may delegate this responsibility to the CEO who may further delegate responsibilities to the Risk Manager and other officers as determined by the CEO.

In carrying out these responsibilities the committee will:

- Review managements and the external and the internal auditors' reports on the effectiveness of system for internal control, financial reporting and risk management;

- Review the procedures of identifying business risks and controlling their financial impact on the company;
- Review the budgeting/forecasting systems, financial reporting systems and controls;
- Review the company's Code of Ethics;
- Review the policies for ensuring compliance with relevant regulatory and legal requirements;
- Review the operational effectiveness of the policies and procedures related to risk and control;
- Review policies for preventing or detecting fraud;
- Review the adequacy of insurance.

3. **Membership**

- The Audit Committee is a committee of the board of directors;
- The members of the committee will be selected by the board meeting following the Annual General Meeting and will hold office for the ensuing years;
- The Audit Committee shall be comprised of at least three directors who are independent directors as determined from time to time by the Board;
- The Chairman of the committee shall be an independent director and may not be the Chairman of the Company;
- The majority of directors on the committee shall be independent directors;
- All committee members will be financially literate, and at least one member will have accounting or related financial management expertise.

4. **Meetings**

- Meetings of the committee shall be held at least twice a year or at the discretion of the Chairman of the committee of, if requested by any committee member, the CEO, external or internal audit.

5. **Quorum**

A quorum shall be three members.

6. **Attendance**

- Any non executive director who is not a member of the committee shall also be able to attend meetings of the committee;
- The Chief Executive Officer ["CEO"] and the Chief Financial Officer ["CFO"] may attend as an 'ex officio' member of the committee;
- The secretary of the board will also act a secretary to the committee unless the committee resolves otherwise;
- The committee shall have in attendance such representatives of management, internal and external audit, insurance brokers and other advisors as it may deem necessary to provide appropriate information and explanation.

Adopted the 1st day of February 2006