

23 February 2010

Market Announcement (LOM)

Proposal to restructure

The Directors of both Lombard Group Limited (**LOM**) and Australian Consolidated Insurance Limited (**ACIL**) are pleased to announce that, subject to shareholder consent, we are proceeding with the acquisition by LOM of all the shares in ACIL.

If this “reverse takeover” is approved, then:

- Existing shareholders in LOM will receive an interest in an unlisted vehicle, equal to their current interest in LOM, that contains LOM’s residual assets; and
- ACIL’s businesses will become part of a listed group and ACIL’s shareholders will own majority of the shares in LOM.

ACIL is an Australasian company that provides differentiated insurance products and services to purchasers of insurance. The ACIL group has 18 subsidiary companies in the following specialised insurance segments:

- Insurance broking
- Underwriting agency
- Risk Management
- Insurance Premium Funding

ACIL currently manages in excess of \$80million of insurance premiums from offices in Perth, Sydney, Melbourne, Brisbane, Auckland and Hamilton.

Further details about ACIL are set out below.

Outline of proposed transaction (Note: All steps are subject to shareholder approval).

- LOM proposes to make a **takeover offer** to ACIL shareholders for all ACIL’s existing shares (being 42,834,287 ordinary shares in ACIL).
 - LOM will offer 1,480,246,656 new shares in LOM as consideration for the ACIL shares (being 34.5572 new LOM shares for each ACIL share).
 - If the takeover offer is accepted by all ACIL shareholders, those shareholders will hold 98.5% of LOM.
- Prior to the takeover being completed, LOM will reorganise its subsidiaries so that assets and selected liabilities unrelated to the ongoing business are consolidated under a **special purpose subsidiary** and existing LOM shareholders will (for no consideration) receive shares in that company in the same proportion as they currently hold shares in LOM.
- If the takeover offer is successful, LOM will make a **buy back** offer in cash to all existing LOM shareholders at a price per share which is equal to the exchange price for the new LOM shares issued under the takeover offer (being NZ\$0.01196 per existing LOM share). LOM shareholders can choose to accept all or part of the buy back offer.

Next steps

Having now obtained the necessary approval from NZX, the following documents will be sent to LOM shareholders this week:

- Notice of special meeting of shareholders
- Profile document
- Independent valuation report

An announcement of the details of the shareholder meeting, including the resolutions which make up the transaction, is expected to be made this Thursday.

LOM's Chief Executive Michael Reeves commented that: "The proposed reverse takeover by ACIL will be positive for all LOM stakeholders and we wish the new entity a prosperous future. The insurance industry has been one of the least affected industry sectors and appears to have a positive outlook".

ACIL's Managing Director Wayne Miller commented that: "We are delighted with the outcome and thank all concerned who assisted in completing the first major milestone to our listing on a credible stock exchange. Our group is confident of the opportunities which exist in New Zealand, which make for ideal synergies with Australia delivering a strong opportunity for Lombard Group Ltd and Australian Consolidated Insurance Limited shareholders whilst providing good investment potential for new investors".

Australian Consolidated Insurance Limited

ACIL's core business is insurance broking and underwriting agency that is characterised by the consistency of its revenue and reliability of its renewals. ACIL's business model involves aggregation and consolidation with a focus on specialising in general insurance distribution functions of the insurance industry that still commonly comprises smaller scale operators.

ACIL's acquisition of Hamilton based underwriting agency, Classic Cover Insurance Limited, on the 30 June 2009 complements the dynamic growth of its New Zealand operations by adding close to a further 15,000 clients to the group's distribution.

ACIL has identified substantial opportunities for expansion in Australia and New Zealand.

Further details will be contained within the Profile document. Information about ACIL is also available at www.australianconsolidated.com.au

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