

LOMBARD[®]

Group Limited

2 July 2009

Market Announcement (LOM)

Proposal to restructure LOM

Lombard (LOM) has entered into a conditional arrangement with Australian Consolidated Insurance Limited (**ACIL**) which, subject to shareholder and regulatory consents, will result in LOM acquiring all the shares in ACIL.

This “reverse takeover” will result in ACIL’s businesses becoming part of a listed group.

Mr Reeves, Chief Executive of Lombard, commented that after very careful consideration of the prospects of Lombard and its existing business, and very much endeavouring to act in the interests of all shareholders, LOM had identified a transaction with ACIL as an exciting opportunity for LOM.

ACIL is an Australasian company that provides differentiated insurance products and services to insurance purchasers. 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 \$80 million 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 confirmation and/or shareholder and regulatory approvals)

- LOM proposes to make a **takeover offer** for all of ACIL’s existing shares at an agreed value with the consideration being satisfied by the issue of new LOM shares. If the offers were accepted by all ACIL shareholders, they will hold in excess of 90% of LOM increased capital.
 - The exact proposed exchange value will be announced when formal documentation is provided to shareholders for their consideration.
 - **Shareholders should not take any action until this information is provided (which will include independent reports on the proposed terms).**

- 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.
 - The rationale for this is that some assets are difficult to value in light of the current financial circumstances. Rather than see LOM shareholders receive a low value in a transaction completed today, the assets will be held until their value becomes more certain.
 - This special purpose company will be responsible for some of the residual liabilities of LOM group companies.

- The intention is to provide existing LOM shareholders with the opportunity to participate in a share buy-back at a price per share which equals the value attributed to LOM shares in the assessment of the number of shares to be offered to ACIL shareholders as consideration for their shares.
 - LOM recognises that the depth of the market for LOM shares may not have permitted LOM shareholders who wished to sell their shares to do so.
 - While the issue of shares to ACIL shareholders will greatly increase the number of shares on issue, and thereby potentially liquidity, offering a buyback provides an assured means of realising shares (but at the set price).

Next steps

There are a number of procedural and regulatory steps that must be taken before shareholders have the opportunity to approve the proposed transactions as the proposals involve or may involve:

- NZX
- New Zealand Takeovers Panel
- ASIC
- Australian Takeovers Panel
- Independent experts to provide reports to LOM and to ACIL shareholders

LOM's Chief Executive Michael Reeves commented that "The Board recognised that Lombard's business focus needed to change and we are delighted to now be in negotiation with ACIL to address that need."

"ACIL is a company with a proven track record, providing LOM with the opportunity for diversification into the insurance services sector.

"We have a lot of work to do to provide LOM shareholders with the information they need to consider this proposal and every step possible will be taken to ensure that shareholders understand what is proposed and that all shareholders are treated fairly." Mr Reeves said.

Further information will be sent to shareholders in coming weeks and further announcements made as the components of the transactions are finalised.

Australian Consolidated Insurance Limited



ACIL core business is insurance broking and underwriting agency that is characterised by the consistency of its revenue and reliability of its renewals. ACIL 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 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 are available at www.australianconsolidated.com.au .

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