

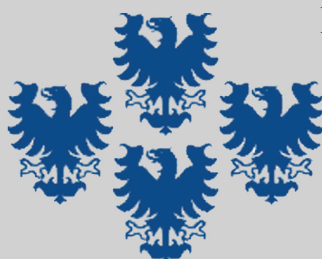
HAMPDEN UNDERWRITING PLC



OFFER FOR SUBSCRIPTION AND ADMISSION TO AIM

NOMINATED ADVISER & BROKER
SMITH & WILLIAMSON
CORPORATE FINANCE LIMITED

PROMOTER
SMITH & WILLIAMSON
INVESTMENT MANAGEMENT
LIMITED



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities immediately. The whole text of this document should be read.

This document, which comprises an AIM admission document and a prospectus relating to Hampden Underwriting plc and is prepared in accordance with the AIM Rules and the Prospectus Rules, has been approved by and filed with the Financial Services Authority ("FSA") in accordance with the Prospectus Rules. This document has been made available to the public in accordance with the Prospectus Rules by being made available, free of charge, at the Company's registered office, details of which are set out on page 20 of this document, and at the offices of Smith & Williamson Corporate Finance Limited whose address is set out on page 20 of this document.

Application will be made for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on AIM three business days following allotment. The Shares are not dealt in, or on, any other recognised investment exchange and no application is being or has been made for the Shares to be admitted to any other exchange.

The Company and the Directors, whose names and functions appear on page 20, accept responsibility for the information contained in this document and compliance with the AIM Rules and the Prospectus Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and this document does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

HAMPDEN UNDERWRITING PLC

(incorporated and registered in England and Wales with registered number 05892671)

Offer for subscription of up to 15,000,000 new Shares of 10p each

at £1 per share

and

Admission to trading on AIM

Nominated adviser and Broker

SMITH & WILLIAMSON CORPORATE FINANCE LIMITED

Smith & Williamson Corporate Finance Limited, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting as nominated adviser and broker to Hampden Underwriting plc in relation to its admission to trading on AIM and the Offer and is not acting for any other person and will not be responsible to any other person for providing the protections offered to customers of Smith & Williamson Corporate Finance Limited nor for advising them on the contents of this document or any other matter in relation to the admission to trading on AIM and/or the Offer. No representation or warranty, express or implied, is made by Smith & Williamson Corporate Finance Limited as to any of the contents of this document. Smith & Williamson Corporate Finance Limited has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by Smith & Williamson Corporate Finance Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information.

The Offer will open on 13 August 2007 and will close at 3pm on 30 August 2007 or, if the Offer is extended beyond that date, at 3pm on 28 September 2007 (or such earlier or later date as the Directors may subsequently resolve, at their discretion, to close the Offer).

The whole text of this document should be read prior to making any investment decision. Your attention is drawn to the section entitled "Risk Factors" on page 7 of this document, which sets out certain risk factors relating to any investment in Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors and such factors should be taken into account when considering whether or not to make an investment in the Company.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction where such an offer or solicitation is unlawful and the Offer is not being made and this document and the Application Form should not be distributed directly or indirectly, to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Japan, Australia or the Republic of South Africa, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under any of the applicable securities laws of Canada, Japan, Australia or the Republic of South Africa and may not, subject to certain exceptions, be offered for sale or sold or subscribed directly or indirectly within the United States, Canada, Japan, Australia or the Republic of South Africa or to or by any national, resident or citizen of any such countries.

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SUMMARY

This summary should be read and construed solely as an introduction to the Admission Document. Any decision to invest in the Shares should be based on consideration of the Admission Document as a whole by a potential investor and potential investors should not just rely on the information in this summary. Where any claim relating to the information contained in the Admission Document is brought before a court, the claimant investor might, under the national legislation of the European Economic Area state in which the claim is brought, have to bear the costs of translating the Admission Document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Admission Document.

THE COMPANY

Hampden Underwriting plc (“Hampden Underwriting”) has been incorporated primarily to provide a limited liability direct investment into the Lloyd’s insurance market. Neither Hampden Underwriting nor any subsidiaries of Hampden Underwriting have yet traded. The Directors believe that Hampden Underwriting will offer the only opportunity currently available for investment in a quoted company whose principal purpose is to participate in a spread portfolio of Lloyd’s syndicates rather than manage syndicates itself.

Hampden Underwriting’s subsidiary underwriting vehicle, Hampden Corporate Member Limited (“HCM”), will trade within the Lloyd’s insurance market as a corporate member of Lloyd’s and will be advised by Hampden Agencies Limited (“HAL”). HAL is the largest provider of third party capital to the Lloyd’s market, with over £2.0 billion of advised capacity for the 2007 year of account, which the Directors believe gives it an influential voice in the Lloyd’s market as a whole. Nomina plc (“Nomina”) will provide administration and support services to the Group.

BUSINESS STRATEGY

The Company’s strategy is to seek to generate returns for its Shareholders primarily through participation in a carefully chosen spread portfolio of syndicates recommended by HCM’s Lloyd’s adviser, HAL, and also in other Lloyd’s insurance-related investments and products. This strategy will include:

- acquiring underwriting participations in Lloyd’s syndicates and providing the necessary supporting funds at Lloyd’s;
- the acquisition of corporate members of Lloyd’s as suitable opportunities arise; and
- the acquisition of other Lloyd’s insurance-related investments and products, if and when suitable opportunities arise.

Through HCM, Hampden Underwriting’s principal purpose will be to acquire interests in a spread portfolio of Lloyd’s syndicates. HCM will bid in the capacity auctions on 4 and 5 September 2007, 13 and 14 September 2007 and 25 and 26 September 2007.

In addition to purchasing underwriting capacity in the yearly auctions, Hampden Underwriting may look to grow its business and acquire more capacity on syndicates through the acquisition of other corporate members. There is already a market in the sale and purchase of corporate members, in which HAL and Nomina are active. The Directors believe that the right acquisitions could lead to some significant capital gain accruing from the syndicate participations owned by the corporate members acquired and therefore enhance the market presence of Hampden Underwriting itself.

The Board may also look to purchase shares and otherwise invest in other Lloyd’s insurance-related investments or products.

HAMPDEN AGENCIES LIMITED

Through its subsidiary, HCM, Hampden Underwriting will not invest in the Lloyd's market as a whole, but in a carefully chosen spread portfolio of syndicates that will be recommended by HCM's Lloyd's adviser, HAL.

The Company's subsidiary, HCM, and HAL will enter into a Members' Agent's Agreement under which HAL will provide HCM with advice in relation to its participation in syndicates. HAL may from time to time introduce corporate member acquisition or other opportunities to the Company. Introductory or other fees in relation to these opportunities will be agreed at the relevant time by the independent directors.

The table below shows the performance of HAL-advised members relative to the Lloyd's market as a whole since 2001. The figures shown for both 2005 and 2006 are estimates, as these years of account have not yet closed. All figures are assuming 40% funds at Lloyd's.

<i>Year of account</i>	<i>Percentage return on capital invested</i>	
	<i>HAL-advised members</i>	<i>Lloyd's market</i>
2001	(31.1)%	(45.9)%
2002	34.3%	28.6%
2003	52.9%	47.0%
2004	26.2%	25.9%
2005 (estimate)	(0.5)%	(12.2)%
2006 (estimate)	39.8%	36.3%

Past performance should not be seen as an indication of future performance.

Sources: HAL 2001 to 2004 at 36 months, calculated from Synopsis MAIR reports. Lloyd's Market 2001 to 2004 at 36 months from Lloyd's Global Results year end QMRs. 2005 estimates calculated from 2007 Q1 QMRs, Lloyd's 2006 estimate based on Lloyd's aggregate of the 2006 Q4 QMRs. HAL 2006 estimate based on a combination of Syndicate official estimates (accounting for 64% of HAL capacity) and Hampden Underwriting Research Syndicate estimates for remaining 36%. Funds at Lloyd's are assumed at 40%. All returns include personal expenses but are before members' agent's charges.

PERFORMANCE OF THE LLOYD'S MARKET

Since 2004, the Lloyd's market has effectively weathered the most serious losses that have ever hit the worldwide insurance industry. The Directors believe that two of the main ramifications of the large US catastrophe losses of 2004 and 2005 are that they have led to an improvement of rating levels for certain classes of business and they have changed the shape of the worldwide insurance industry which gives the best Lloyd's syndicates a significant trading opportunity for the medium term. Rates have increased by substantial margins in classes of insurance business such as reinsurance, US property and US off-shore energy following these losses. The Directors believe that what is arguably more important, however, is that there has been an erosion of worldwide competition in some insurance classes, especially certain sectors of the reinsurance market. As a result of this, the Directors do not expect to see a significant softening of rates in many of the major catastrophe exposed insurance classes in the medium term. Market conditions in non-catastrophe exposed classes are more competitive but the Directors believe that these classes still contain areas where underwriters can make reasonable returns. Therefore, the Directors believe that current underwriting conditions offer the potential to produce good underwriting profits although they do not believe these conditions will continue indefinitely.

THE OFFER

Up to 15,000,000 Shares are being offered to the public in the UK on the terms and subject to the conditions of the Offer. The estimated cash proceeds of the Offer (after expenses and assuming Maximum Subscription (and that 20% of the value of the net proceeds of the Offer comprise Heritage Shares)) are £11.3 million. The Offer is not being underwritten.

As part of the Offer, persons who own ordinary shares in Heritage and who also subscribe for Shares in cash are also being given the opportunity to use Heritage Shares as consideration for Shares on the basis of 1 Share for every £1 of value of their Heritage Shares being accepted as consideration. The value of

each Heritage Share exchanged will be deemed to be the closing market bid price of a Heritage Share on the last business day preceding the date of allotment of the relevant Shares. The maximum aggregate value of Heritage Shares to be accepted by the Company pursuant to the Offer (on a first come/first served basis) will be 20% of the total amount subscribed under the Offer, net of expenses. Further information on Heritage is set out in Part IV of this document.

Further information on the Offer is set out in Part II of this document.

Risk Factors

The Board considers the following to be the material risk factors for potential investors in the Company. The risks listed are not set out in any order of priority. There may be further, additional risks of which the Company and the Directors are unaware and/or there may be risks which have been identified but which are considered by the Company and the Directors to be immaterial which may (individually and/or collectively) also have an adverse effect on the Group and its business.

General risks include the following:

- the risk that the market price of Shares may fluctuate due to factors within or outside of the Group's control;
- the risk that there may not be a liquid market for the Shares;
- the risk that no dividends may be declared by the Company to its Shareholders;
- the risk that the Group may need additional capital in the future, which could be dilutive to Shareholders or the terms of which could involve restrictions on the Group's financing and operating activities;
- the risk that the Group may be required to reduce the scope of its operations or anticipated expansion if the Group needs but is unable to raise additional financing;
- the risk that there is a change in the Company's tax status which could have a material effect on the Group's business;
- the risk that the Group's actual performance may be materially different from expected performance; and
- the risk that the Group loses the services of one or more of its key advisers.

Risks relating to the insurance market include the following:

- the risk that the Group may suffer the effects of the cyclical nature of the insurance market;
- the risk that the Group is unsuccessful in excluding catastrophic losses which could have a material adverse effect on the Group's operations;
- the risk that HCM is not able to acquire all or any of the underwriting capacity that it seeks;
- the risk that Managing Agents of syndicates in which the Group participates may not be able to arrange RITC, which may prevent HCM from closing out its liabilities and from crystallising any profit or loss from the relevant year;
- the risk that Managing Agents may call for further funds;
- the risk that Equitas, the entity into which 1992 and prior years have been reinsured, and/or any reinsurer/transferee of liabilities for such years, may fail;
- the risk that additional or special levies may be payable by the Group in connection with payments from the New Central Fund for the advancement and protection of policyholders;
- the risk that Lloyd's may increase the FAL requirement for HCM, potentially resulting in a lower return to HCM and therefore for the Group;
- the risk that Lloyd's credit rating may be downgraded;
- the risk that current or future regulatory changes made by Lloyd's or the FSA may have an adverse impact on the Group;
- the risk of the failure of loss limitation methods;

- the risk that a coverholder will not observe or comply with the terms of its delegated authority;
- the risk that the Group is reliant on third party service providers; and
- the risk that market conditions may limit, and in some cases prevent, insurers and reinsurers from obtaining types and amounts of reinsurance that they consider adequate for their business needs.

Risks relating to shareholdings in the Company include the following:

- the risk that Lloyd's consent is refused in relation to any individual, company or institution becoming a controller of the Company; and
- the risk that Lloyd's may require a controller to enter into cross deficit undertakings.

The City Code

Certain persons (Hampden Capital plc (see page 27) and those of its directors intending to subscribe for Shares pursuant to the Offer: Sir Michael Oliver, Jeremy Evans, The Hon. David Brougham, Nigel Hanbury, Peter Nutting, Timothy Oliver and Nicholas Wentworth-Stanley) are deemed to be acting in concert in relation to the Offer and Admission for the purposes of the City Code. Assuming Minimum Subscription, it is possible that the Concert Party may hold up to 49.9% of the Company's issued share capital following the Offer. Relevant details are set out in paragraph 9 of Part V of this document.

RISK FACTORS

An investment in the Shares of the Company involves a high degree of risk. Accordingly prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Company. The Board considers the following to be the material risk factors for potential investors in the Company. The risk factors listed are not set out in any order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Shares could decline and investors may lose all or part of their investment.

There may be further, additional risks of which the Company and the Directors are unaware and/or there may be risks which have been identified but which are considered by the Company and the Directors to be immaterial which may (individually and/or collectively) also have an adverse effect on the Group and its business.

An investment in the Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

Any reference to HCM shall be deemed to include a reference to any other corporate member within the Group from time to time.

GENERAL RISK FACTORS

Securities traded on AIM

The Shares will be traded on AIM rather than the Official List. An investment in shares traded on AIM carries a higher risk than those listed on the Official List. AIM has been in existence since June 1995, but its future success and liquidity in the market for the Company's securities cannot be guaranteed. It is possible that an active trading market may not develop and continue upon completion of the Offer. Even if an active trading market does develop, the market price of the Shares may fall below the Offer Price. The price at which the Shares are quoted and the price at which investors may realise their Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector, and other events and factors outside of the Company's control. Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Shares. Prospective investors should be aware that the value of the Shares could go down as well as up, and investors may therefore not recover their original investment especially as the market in the Shares may have limited liquidity.

Shares available for future sale

The Group is unable to predict whether substantial amounts of Shares will be traded in the open market. Any sales of substantial amounts of Shares in the market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

Holding Company structure and restrictions on dividends

The Company is a holding company and it is not currently envisaged that it will conduct insurance or reinsurance operations of its own. Part of the proceeds of the Offer and dividends from subsidiaries together with any investment income, are expected to be the Company's sole source of funds to pay expenses and dividends, if any. It is uncertain when, if ever, dividends will be declared by the Company to its Shareholders (which will be at the discretion of the Board after taking into account many factors,

including those summarised above and below) and, in particular, the dividend policy mentioned in Part I of this document should not be construed as a dividend forecast.

The other members of the Group may from time to time be subject to restrictions on their ability to make distributions to the Company, as a result of a number of factors including lack of distributable reserves, restrictive covenants contained within loan agreements, regulatory, fiscal or other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results or financial condition. In particular, part or all of the declared profits of HCM, accruing on a particular year of account, may, depending upon the projected results for open years, be required to be retained by such company, to comply with Lloyd's solvency rules. These require that each member be able to show sufficient assets to meet its liabilities plus a solvency margin. Where the Lloyd's solvency test shows a deficiency, the member is required to provide additional assets and these may include any unrealised underwriting profits. This may therefore affect the ability of the Group to pay a dividend. Furthermore, any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders.

The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Group achieving the aims set out in this document. There can be no guarantee that the Group will achieve the level of success that the Directors expect or that the Company's objectives will be fulfilled.

Future fundraisings

Whilst the Directors have no current plans for raising additional capital immediately after Admission and while they are of the opinion that the working capital of the Group will be sufficient for at least 12 months from Admission, it is possible that the Company will need to raise extra capital after this period to develop fully the Group's business or to take advantage of acquisition opportunities. The Group's capital requirements depend on numerous factors, including its ability to write business successfully and establish premium rates and reserves at levels sufficient to cover losses, to purchase capacity in the auctions and (although none are currently envisaged) to make potential acquisitions of corporate members. It is difficult for the Directors to predict accurately the timing and amount of the Group's capital requirements in respect of such matters. If any of the above events occurs or if the plans or assumptions set out in the Group's business plan change or if the Group makes any material acquisitions, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders and any debt financing may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Taxation change

Any change in the Company's tax status or in taxation legislation may have a material effect on the Group's business and could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

General economic climate

Various factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and stock market prices. The Group's operations, business and profitability could be affected by these and other factors, which are beyond the control of the Group.

Forward-looking statements

Certain statements contained in this document may constitute forward-looking statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual

results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements can be identified by the use of forward-looking terminology, including the terms, “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical factors. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or the Group’s current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, conditions in the markets, market position of the Company or its subsidiaries, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on forecasts, past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any legal or regulatory requirements, neither the Company nor Smith & Williamson undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

Past results may not be a reliable guide to future performance

The past results of the Lloyd’s market are historical records and may not be a reliable guide to future performance or prospects, particularly given the cyclical nature of the insurance industry.

Dependence on relations with third parties

The Group has no employees and its business depends on the services provided by third parties, including HAL as a Members’ Agent and Nomina as administrator. While it is not currently envisaged that there would be any reason for any such third parties, including HAL and Nomina, to discontinue their provision of advice and services, if they did cease to provide such advice and services, the Group’s business could be adversely affected and the Group may be unable to find an adequate replacements as Members’ Agent or administrator on a timely basis and/or on acceptable commercial terms.

INSURANCE/LLOYD’S RISK FACTORS

General warning

The nature of the insurance underwriting business, the regulatory regime applicable to corporate members of Lloyd’s and the consequence of past years’ underwriting losses at Lloyd’s will give rise to a number of specific risk factors. The following list is not exhaustive but is intended to draw investors’ attention to certain aspects of the risks involved.

The last few years have seen considerable changes at Lloyd’s, particularly in the composition and character of its capital base. It is likely that continuing change will remain a feature of the Lloyd’s capital base for the foreseeable future. Such change may include alterations to the present annual venture basis of participation in syndicates which could have fundamental implications for Lloyd’s and its members.

Cyclical nature of insurance business

The insurance and reinsurance business historically has been a cyclical industry, with significant fluctuations in operating results due to competition, catastrophic events, general economic and social conditions and other factors. This cyclical nature has produced periods characterised by intense price

competition due to excessive underwriting capacity (soft market conditions) as well as periods when shortages of capacity resulted in much more favourable premium levels (hard market conditions). In addition, increases in the frequency and severity of losses suffered by insurers can significantly affect these cycles. The Group can be expected to suffer the effects of such cyclicity.

Unpredictable and multiple losses

The Group may have substantial exposure to large, unexpected losses resulting from future man-made catastrophic events, such as acts of war, acts of terrorism and political instability. Although the syndicates in which the Group participates may attempt to exclude losses from terrorism and certain other similar risks from the syndicates it invests in, they may not be successful in doing so. These risks are inherently unpredictable and recent events may lead to increased frequency and severity of losses. It is difficult to predict the timing of such events with statistical certainty or to estimate the amount of loss that any given occurrence will generate. To the extent that losses from such risks occur, the Group's financial condition and results of operation could be materially adversely affected.

The Group may have substantial exposure to losses resulting from natural disasters and other catastrophic events. Catastrophes can be caused by various events, including hurricanes, earthquakes, hailstorms, explosions, severe weather and fires. The incidence and severity of such catastrophes are inherently unpredictable and the Group's losses from catastrophes could be substantial. Increases in the values and geographic concentrations of insured property and the effects of inflation have resulted in an increased severity of industry losses in recent years and it is generally expected that those factors will increase the severity of catastrophe losses in the future. The occurrence of claims from catastrophic events is likely to result in substantial volatility and could have a material adverse effect on the Group's financial condition or results and its ability to invest in syndicates. Although the Group will attempt to manage its exposure to such events through the selection of the syndicates in which it participates, a single catastrophic event could affect multiple geographic zones or the frequency or severity of catastrophic events could exceed its estimates, either of which could have a material adverse effect on the Group's financial condition or results of operations.

Underwriting of insurance risks

The underwriting of insurance risks can be, by its nature, a high-risk business. Earnings can be volatile and losses may be incurred which would have the effect of reducing shareholders' funds. Cash flows may be affected by unpredictable events or circumstances, such as natural or man-made disasters, the emergence of latent risks, legal, statutory developments and by fluctuations in global insurance generally. The results of the insurance industry vary widely as do the results of syndicates operating within the Lloyd's market. Even if the Lloyd's market makes an overall profit, some individual syndicates or lines of business may incur losses. The past results of the market as a whole, of the syndicates in which the Group may invest and of HAL are a historical record and may not necessarily be a reliable guide to future prospects. Previously profitable business may subsequently become unprofitable; the nature of business written may change; reserves created against future claims may prove to be inadequate; a syndicate's reinsurance programme may be insufficient or uneconomic to purchase and/or its reinsurers may fail. High returns may be the result of skillful underwriting but may indicate an exposure to more volatile risks.

It is inherent in the nature of the business of insurance underwriting that it is difficult to forecast short term trends or returns in a single year. If the Managing Agents of the syndicates in which HCM invests fail to assess accurately the risks underwritten or if events or circumstances cause their risk assessments to be incorrect, they may not charge appropriate premiums and this could have a material adverse effect on the syndicates' (and accordingly HCM's and the Group's) results of operations.

In addition to the volatility of underwriting results, investment income and appreciation or depreciation, which may form an important part of the financial return to members of a syndicate, are affected by, *inter alia*, interest rates, exchange rates, taxation changes, equity returns and other economic events (which are outside the Group's control) as well as investment policy and performance and market events. In the Lloyd's market, risks and rewards vary from syndicate to syndicate and according to the categories of business written by those syndicates. The past results of the market and of individual syndicates are a matter of historical record and may be a poor guide to future prospects.

In underwriting insurance risks at Lloyd's each corporate member, and the funds at Lloyd's ("FAL") made available by it will be exposed to the risk of underwriting losses. By means of the RITC system, whereby a syndicate as constituted for a given year of account will (in return for a premium) succeed by way of reinsurance to the liabilities of previous years of account of the syndicate reinsured, the losses to which HCM may be exposed as a member of a syndicate will include losses on risks underwritten prior to the time it became a member. In the worst case, all of HCM's assets and all the FAL available to it would be used to meet underwriting losses. In such event, the Company would have lost the value of its investment in HCM (including any loans made) and the FAL provided by the Company to Lloyd's in respect of HCM. The Company's exposure in respect of the underwriting losses of HCM would (save in limited circumstances where company law may look beyond limited liability to the other assets of the Company) be limited to its investment in HCM (including any loans made) and the FAL provided by the Company to Lloyd's in respect of HCM. However, investors should be aware that Lloyd's retains the right to ask a controller of a corporate member to execute an undertaking that the controllers will pay the creditors of a corporate member if the corporate member fails to do so.

Investors should be aware that the categories of business written and the structure of the reinsurance programme, and accordingly risks and rewards vary from syndicate to syndicate. Should a syndicate as constituted for a given year of account make a loss upon closure by RITC, or if a syndicate as constituted for a given year of account has funding difficulties, its Managing Agent may make a cash call on its members for the year of account concerned which, if not met promptly from other funds, can be satisfied by drawing down on the members' FAL. Additionally, each year outstanding potential liabilities, including liabilities for claims incurred but not reported ("IBNR"), are assessed. In certain circumstances this may give rise to cash calls before an underwriting year of account has closed. Cash calls for "working capital" can also be made early in the year of account by the Managing Agent of a syndicate, for example to meet liquidity pressures. All cash calls which may be made on HCM in respect of the syndicates of which it may become a member could be met by drawing down on HCM's FAL. The Company would therefore need to provide additional FAL if it wished HCM to continue underwriting at the same level after cash calls had reduced HCM's FAL. There is no guarantee that the Company would have the funds needed to provide additional FAL in such circumstances, in which case it would be necessary for the Company to raise additional capital via equity or debt in order to ensure that HCM could continue to underwrite at the same level.

Failure of loss limitation methods

Managing Agents will seek to limit the exposure of their managed syndicates to insurance and reinsurance losses through a number of loss limitation methods including internal risk management and security procedures as well as through the purchase of outwards reinsurance protection. Underwriting is a matter of judgment involving important assumptions about matters that are inherently unpredictable and beyond the control of the relevant Managing Agent(s) and for which historical experience and probability analysis may not provide sufficient guidance.

Various provisions of the policies which the corporate members within the Group participate in underwriting, such as limitations or exclusions from coverage or choice of legal forum, may not be enforceable in the manner intended due to, among other things, disputes relating to coverage and choice of legal forum.

Notwithstanding the risk mitigation and underwriting controls employed by syndicates, one or more catastrophic or other loss events or a greater frequency of losses than expected could result in claims that substantially exceed the expectations of the Group, and which could have a material adverse effect on the financial condition or results of operations of the Group, possibly to the extent of eliminating the funds at Lloyd's supporting the underwriting of the Group's corporate members and any statutory surplus.

There can be no assurance that outwards reinsurance or retrocession will be available to the Group's corporate members in the future, or that it will be available on terms or at a cost deemed to be appropriate or acceptable (including as to its accounting and regulatory treatment) or from entities with satisfactory credit-worthiness.

Delegated authorities

A substantial portion of the business underwritten by HCM will be underwritten through agents (known as coverholders) to whom restricted authority is given to accept risks on their behalf. There is no guarantee that a coverholder will observe or comply with the terms of its delegated authority, including the parameters within which it may underwrite. A coverholder that exceeds its authority to underwrite could expose the Group to unanticipated underwriting losses.

Litigation

HCM, through participating in underwriting activities, will be involved in litigation in the normal course of their insurance operations and the probable outcome of all such litigation is taken into account in the assessment of claims provisions. If the outcome of such litigation is underestimated, the Group's results may be impacted accordingly. Litigation (including litigation to which the Group is not a party) may have an adverse impact upon the Group's business in that legal decisions may expand the scope of legal liabilities, which in turn could increase the amount of claims which have to be paid by the Group.

Reinsurance protection

From time to time, market conditions have limited, and in some cases have prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance that they consider adequate for their business needs. For example, following the terrorist attacks of 11 September 2001, some reinsurers withdrew from certain markets resulting in reduced capacity and those remaining tightened terms and increased premium rates. Accordingly, syndicates in which HCM participates may not be able to obtain the amount of reinsurance protection that they desire in order to reduce specific exposures. Furthermore, even if they are able to obtain such reinsurance, they may not be able to negotiate acceptable terms or obtain such reinsurance from entities with satisfactory creditworthiness.

The purchase of reinsurance protection also subjects the Group to third-party credit risk. A reinsurer's insolvency or its inability or reluctance to make timely payments under the terms of a reinsurance agreement could have a material adverse effect on the ability of the relevant syndicates to make timely payment, or payment at all, in respect of insurance obligations.

2008 year of account and future capacity

HCM will bid in the 2007 capacity auctions and intends to acquire capacity to underwrite for the 2008 year of account. If there is significant competition for the capacity, HCM may not be able to acquire capacity at a commercially acceptable price or obtain all or any capacity that it seeks in the auction. There is no guarantee that the capacity that HCM purchases will be sufficient to effectively use the monies from the fundraising or to ensure an acceptable rate of return.

The last few years have seen considerable changes at Lloyd's, particularly in the composition and character of the capital base supporting Lloyd's syndicates. The amount of capacity on syndicates for any future year of account is not guaranteed. The funding of syndicates is an annual venture between underwriting members of Lloyd's; members may resign their membership of Lloyd's or decide no longer to participate or reduce participation on the syndicate and they may not be replaced by continuing or new members. Therefore, the capacity on the syndicate for any years of account could be reduced.

Reinsurance to close; run-off of account; risk of non-closure of years

The reinsurance to close process, which allows the underwriting result of the members of a syndicate as constituted for a given year of account to be determined and for any profits to be released to the members, is dependent upon the Managing Agent of the syndicate being able to obtain an appropriate RITC. Releasable profits will be affected by the cost of such RITC. If the Managing Agent of a syndicate of which HCM is a member is not able to arrange RITC, this will prevent HCM from closing out its liabilities and from crystallising any profit or loss in respect of the relevant year of account. If RITC is arranged but the reinsurers to close subsequently prove unable to meet their liabilities and such

liabilities are not funded from the Lloyd's New Central Fund, HCM will be obliged to meet payments to policyholders in respect of the liabilities reinsured.

In the event that a Managing Agent concludes in respect of a particular year of account of a syndicate for which an equitable RITC premium cannot be established it must determine that the year of account will remain open and be placed into run-off. During run-off, there can be neither a release of a member's funds at Lloyd's nor a release to such member of any profits arising in respect of that syndicate from the underwriting or investments of that syndicate, without the consent of the Council. There can be no assurance that any year of account of any syndicate invested in by HCM will not go into run-off at some future time.

Cash calls

A Managing Agent may determine, in conjunction with the auditors of the relevant syndicate, what funds are required to meet a cash deficiency prior to the closure of the relevant year of account. In this event, the Managing Agent may call on the members supporting that syndicate for further funds. Any early call for funds in this manner may adversely affect the cash flow of the Group and may have a detrimental impact on earnings, dividends and asset values.

Funds at Lloyd's – adequacy and change in value

A proportion of the funds at Lloyd's for a syndicate may be provided by means of investments. The capital value of such investments may fall as well as rise and the income derived from them may fluctuate. Should the value of the funds at Lloyd's portfolio of a syndicate as at 31 August (or such other date specified by Lloyd's) be lower than at the same date in the previous year, the syndicate's underwriting capacity may be reduced. Lloyd's also has the power to reduce the underwriting capacity of a syndicate and/or to prohibit a corporate member from underwriting if at any time the value of the funds at Lloyd's portfolio falls by more than 10% of the last annual valuation. A fall in the equity or interest markets could trigger such an event. A reduction in underwriting capacity of HCM could materially adversely affect the profits of the Group.

The funds at Lloyd's requirements of HCM will be satisfied by a mixture of investments secured with covenant and charge arrangements, and letters of credit. If any syndicate through which the Group's corporate members transact their business has insufficient funds to meet any of the liabilities arising under the policies of insurance underwritten on behalf of HCM through that syndicate, the relevant Managing Agent and/or Lloyd's (as trustee for the relevant policyholders) may draw funds from the relevant charged investments and/or letters of credit to meet those liabilities. Letters of credit are forms of finance provided by banks which may not necessarily be renewed or replaced by the relevant provider in these circumstances.

Franchise obligations and the business plan

Following the introduction of the proposals made by the Chairman's Strategy Group for the modernisation of the Lloyd's market, all Lloyd's managing agencies are required to comply with Lloyd's "franchise principles" and have their syndicate's business plans approved by the Lloyd's Franchise Board. The Lloyd's Franchise Board, which sets the franchise strategy and is responsible for risk management and profitability targets across the market, may require changes to any business plan presented to it for approval, which could lead to a change in business strategy by syndicates in which the Group participates. This may have an adverse effect on the Group's financial condition and operating results.

1992 and prior business

HCM has not participated in 1992 and prior business. In the event that Equitas (see below) was to fail or was to meet its liabilities by a proportionate cover plan in respect of Lloyd's 1992 and prior business and then pay claims at the appropriate reduced rate the Group could be adversely affected. In these circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits which may have been used to meet policyholder claims. This might require the use of the New Central Fund (see below) following prior approval of members in a general

meeting. If the New Central Fund is used for either of these purposes, an additional New Central Fund levy might be imposed on all members underwriting on the relevant years of account in proportion to their underwriting capacity, although this levy might be weighted towards continuing members having an exposure to any unpaid liability in respect of 1992 and prior underwriting years.

Regulatory authorities in a number of jurisdictions require the maintenance of deposits or the protection of policyholders as a condition of their regulatory approval and accreditation of Lloyd's (see below – *Lloyd's US trading arrangements and Overseas deposits*). If Equitas were to fail to meet its liabilities in full, the deposit in place at that time could be vulnerable to seizure by regulators or policyholders. The Lloyd's market would have to consider making good any part of any deposit required to be used to meet its liabilities, or risk being unable to continue to do business in the relevant jurisdiction.

On 20 October 2006, Equitas announced that it had reached an agreement in principle with Berkshire Hathaway Inc. on the establishment of a new corporate and legal structure in which National Indemnity Company, a member of the Berkshire Hathaway group of insurance companies, will reinsure all of Equitas' liabilities, provide up to a further \$7 billion of reinsurance cover to Equitas, take on the staff and operations of Equitas and conduct the run-off of Equitas' liabilities. This transaction completed in March 2007. Completion of this transaction is expected to reduce the risk referred to above (however, there remains a risk that National Indemnity Company fails to meet its reinsurance obligations and/or reinsured liabilities exceed the reinsurance limit).

The New Central Fund

Despite the principle that each member is only responsible for the proportion of risk written on his or its behalf, the New Central Fund acts, *inter alia*, as a policyholders' protection fund to make payments where members have failed to pay valid claims. The Council may resolve to make payments in respect of such valid claims from the New Central Fund and may resolve to augment the New Central Fund, which could lead to additional or special levies being payable by market participants in Lloyd's, including HCM.

Fees and levies

Members are required to pay certain fees and levies in connection with their membership of Lloyd's. These include an annual subscription fee, currently at the rate of 0.5% of the member's overall premium limit ("OPL") and a New Central Fund contribution currently at the rate of 1% of OPL for 2007, reducing to 0.5% of written premiums for 2008.

From time to time, Lloyd's may vary the rate of these levies, Lloyd's may also impose a special contribution to the New Central Fund if a majority (by capacity) of members underwriting during the year of account in which such contribution is proposed, vote in favour of any proposal relating to such contribution.

Further, Lloyd's may also call upon members to make additional contributions to the New Central Fund.

The Council has in recent years, from time to time, imposed on all policies written at Lloyd's a premium levy. Any premium levy increases the expenses of a corporate member such as HCM without any compensating revenues, thereby reducing profits, perhaps materially. It cannot be accurately estimated at what level any levy will be set in future years.

Syndicate loans

Lloyd's has a regulatory responsibility to ensure that its financial resources are adequate to meet the liabilities of all members. In fulfilling this obligation, Lloyd's has sought to increase its financial resources by imposing a requirement for all members to make subordinated loans to Lloyd's on prescribed terms in each year of account. The loan is payable from the assets of each syndicate in which the member participates. The amount of the loan for 2007 is 0.75% of the member's syndicate premium limit for each syndicate of which it is a member of the 2007 year of account. Lloyd's may change the

rate at which the loan is payable and its other terms. Interest is payable on the loan but may be deferred at Lloyd's discretion. There are to be no syndicate loans for 2008.

The proceeds of the loan are held, managed, invested and applied as assets of the New Central Fund. Accordingly, the proceeds from loans made by HCM may be applied to meet losses made by other members of Lloyd's. There is no guarantee that the loans will be repaid.

“User pays” principle

The Lloyd's Franchise Board's responsibility for the management and pricing of Lloyd's central services to the market is likely to give added impetus to the move towards the concept of “user pays”, whereby expenses will be allocated to those members and syndicates using them, rather than being spread proportionately across the market as a whole. It may be that, for any particular member or syndicate, additional costs incurred through the application of the “user pays” concept will outweigh any savings from intended reductions in Lloyd's subscriptions.

Litigation against Lloyd's

Non-claims litigation against the Lloyd's market could materially adversely affect the market and this could in turn affect the future ability of the Group to conduct its business.

Lloyd's US trading arrangements

US regulators require Lloyd's syndicates underwriting certain business in the United States to maintain trust funds in the United States (the “US trust funds”) as protection for US policyholders. Trust funds must be maintained for syndicates writing excess and surplus lines, reinsurance and Kentucky and Illinois licensed business. These trust funds represent a percentage of the underwriters' estimates of unpaid claims liabilities (in some cases, less premium receivable) relating to this business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries.

With respect to business classified as “excess and surplus lines”, syndicates must currently maintain an excess and surplus lines trust fund, funded at 30% of gross liabilities. However, a recent change, effective early 2007, has been introduced which will require Lloyd's syndicates to fund at 30% only for the first \$200 million in surplus lines liabilities. Funding levels for excess and surplus lines liabilities is then gradually reduced to 25% for \$300 million excess of \$200 million, 20% for \$500 million excess of \$300 million and 15% excess of \$1 billion. With respect to reinsurance business, syndicates must maintain a separate “Credit for Reinsurance” trust fund which is currently required to be funded at 100% of gross liabilities reinsured from US insurers, although potential changes to this funding requirement have been introduced in both state and federal legislative efforts in the United States. It is possible that US regulators could further alter the trust fund deposit requirements for the Lloyd's market generally or any individual Lloyd's syndicate (including the syndicates) specifically.

The funds contained within the deposits are not ordinarily available to meet trading expenses. Accordingly, in the event of a major claim arising in the United States, for example from a major catastrophe such as a US hurricane, syndicates participating in such US business may be required to make cash calls to meet claims payment and deposit funding obligations.

There is a limited ability for managing agents to withdraw funds from the US trust funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn:

- (a) is in respect of a specified loss event;
- (b) represents value for liabilities previously reserved in respect of policyholders claiming for this event; and
- (c) cannot be obtained from other US dollar assets held outside the relevant US trust fund.

The US trust funds must be maintained in order to maintain syndicates' trading status in the United States, and it is possible that US regulators may alter the level of required funding at any time. Lloyd's managing agents have only a limited ability to withdraw funds from the trusts, and therefore it is

possible that, whether because of increased liabilities or a change in regulation, syndicates may be required to increase significantly the level of funding from Lloyd's Names, including HCM, without being able to withdraw any funds from the US trusts for at least several months.

Overseas deposits

Regulatory authorities in a number of jurisdictions require the maintenance of local deposits for policyholder protection as a condition of syndicates maintaining their regulatory approval. In the event that liabilities in respect of 1992 and prior years were not met in full by Equitas, the relevant deposits in place at that time could be vulnerable to seizure by such regulators or policyholders. In addition, the New Central Fund might, with the consent of Lloyd's members in general meeting, be applied to prevent draw down of such deposits, or to make good any part of the deposits used to meet liabilities reinsured by Equitas.

Lloyd's regulatory powers

The Council and its delegates have wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the FAL ratio or the investment criteria applicable to FAL. Either might affect the amount of HCM's overall premium limit or the level of FAL required and, consequently, both the return on an investment by HCM in a given year of account and the amount HCM is required to provide in order to be able to underwrite business. Lloyd's has the ability to reduce or suspend the underwriting of a corporate member such as HCM if its FAL falls below 90% of the value used to calculate its OPL for the current year of account and the corporate member fails to make good the deficiency.

Capital requirement

On a bi-annual basis Lloyd's assesses the risks applying to each Lloyd's member's underwriting to determine whether the member holds sufficient FAL to meet its capital requirements. Any shortfall must be made good by the Lloyd's member in order to maintain the member's OPL at the same level.

The minimum capital requirement for all Lloyd's members is the greater of:

- (i) 40% of the member's OPL (with the exception of a member writing at least 85% direct UK motor business, for whom the requirement is 35%); or
- (ii) the member's risk assessed capital requirements.

In the case of HCM, an increase or decrease in this ratio for future years could have a material effect on its profitability and, therefore, the returns for Shareholders.

Solvency

Each member is required to maintain net central assets that are adequate to meet its liabilities and a solvency margin. As this solvency margin is calculated with reference to premium income and claims incurred, it is variable and, in order to allow HCM to continue to trade, the Company may be required to contribute further funds to HCM to fund any shortfall. Syndicate solvency results are prepared on the full UK GAAP annual accounting basis. Under annual accounting, the solvency balance at 12 months is unlikely to be a significant surplus due to the restriction on the recognition of profits to an earned premiums basis. There may, therefore, be an initial solvency strain on a new Lloyd's member which, together with any cash calls made by a Managing Agent, may result in the member's FAL being reduced and hence its OPL coming under pressure during the initial years of membership.

Lloyd's solvency

The FSA requires Lloyd's to maintain net central assets that are adequate to cover the aggregate of certain variable solvency margins set out in the Lloyd's sourcebook in the FSA's Handbook of Rules and Guidance published by the FSA. Lloyd's has a duty to notify the FSA if it fails to maintain the requisite

level of net central assets, in which event the FSA may require all Lloyd's members to cease trading and/or members to cease or reduce underwriting, irrespective of their individual solvency positions.

Lloyd's rating

Following the terrorist attacks on 11 September 2001, AM Best downgraded Lloyd's credit rating to A-(excellent) from A. The Standard and Poor's rating was downgraded to A from A+ and Lloyd's was placed on creditwatch. In May 2002 Standard & Poor's removed Lloyd's from creditwatch. In August 2002, AM Best affirmed Lloyd's A- rating. In February 2003, Standard and Poor's affirmed its A rating for Lloyd's; this was subsequently increased to an A+ rating in April 2007. In August 2004 AM Best upgraded Lloyd's credit rating to A from A-; in March 2007 this rating was affirmed and the outlook was said to remain stable. Lloyd's ability to market insurance policies to certain customers and brokers is dependent upon maintaining an A- or better AM Best rating and A or better Standard and Poor's rating. Any downgrade of Lloyd's rating, for any reason, could have a material adverse effect on the ability of Lloyd's syndicates to write insurance and reinsurance business and therefore on the financial condition of the Group.

Lloyd's regulatory authorisations

The ability of Lloyd's syndicates to write business in various jurisdictions throughout the world is dependent upon Lloyd's ability to maintain its regulatory authorisations in such jurisdictions. Maintaining such authorisations is dependent upon a number of factors, including the financial strength of the New Central Fund and the ability to meet trust fund or other deposit obligations. If Lloyd's was unable to maintain its regulatory authorisations in any jurisdiction, Lloyd's syndicates would be unable to write insurance on a direct basis in the relevant jurisdictions which might have an adverse effect on the profitability of the Group.

FSA/Lloyd's regulation

Following the coming into force of the FSMA with effect from 1 December 2001, the FSA became the primary regulator for all financial services business in the UK, including the Lloyd's Market. Although the FSA is the primary regulator, under the Lloyd's Act 1982 the Council has the power to regulate and direct the business of insurance at Lloyd's. The FSA and Lloyd's have agreed joint arrangements for liaison where parties or transactions are caught by both Lloyd's and FSA rules, notably in relation to authorisation and changes in control of underwriting agents and in relation to approved persons.

The regulation of market participants is increasingly detailed. The FSA initially suggested its view would be one of oversight but the Tiner project progress review indicated that the FSA would be adopting a more involved role in the future with particular emphasis on Managing Agents. At present, the Council promulgates the numerous byelaws, bulletins and codes regulating market conduct on a day to day basis. However a number of areas, for example changes in control of agents, are now dealt with jointly by Lloyd's and the FSA. Lloyd's retains the power to regulate members of Lloyd's, including corporate members.

However, the FSA has enforcement powers that it may use in relation to persons in breach of the FSMA and provisions under it whether or not they are regulated by the FSA.

The FSA and Lloyd's have substantial powers of intervention in relation to the companies they regulate, culminating in the ultimate sanction of the removal of authorisation to carry on a regulated activity or to continue as a member of Lloyd's. Authorisation by the FSA and Lloyd's is therefore fundamental to the Group's business.

The regulation of insurance in the UK continually undergoes substantial reviews and consultation and it is likely that additional changes in regulation both within and outside the Lloyd's market will occur. Any current or future regulatory changes made by Lloyd's or the FSA may have an adverse impact on the Group and subsequently affect the profitability of the Group. For example it is possible that costs of compliance could increase if there are changes to either or both of these regulatory regimes.

SHAREHOLDINGS IN THE COMPANY

Requirement for Lloyd's consent

Prospective shareholders intending to acquire shares under the Offer should be aware that, as a result of the Company being the holding company of HCM (being a member of Lloyd's), the consent of Lloyd's will be required for any individual, group or institution which becomes a controller of the Company.

Broadly, where an individual person or body corporate, *inter alia*:

- (a) holds 10%, or more of the shares in a parent undertaking ("P") of a company undertaking a regulated activity ("A"); or
- (b) is able to exercise significant influence over the management of P through his shareholding in P; or
- (c) is able to exercise significant influence over the management of P through his voting power in P; or
- (d) is entitled to exercise or control the exercise of 10%, or more of the voting power in P,

then such person will be regarded by Lloyd's as a controller of A, in this case A being HCM.

If a shareholder fails to obtain such consent, the Directors may invoke provisions contained with the Company's Articles of Association which may result, *inter alia*, in a number of ordinary shares being held by the shareholder ceasing to carry the right to vote at general meetings of the Company or the shareholder being required to sell such number of ordinary shares such that he would no longer have a notifiable interest.

A person who is already an approved controller by virtue of holding 10%, or more of the shares in the Company or being entitled to exercise or control the exercise of 10%, or more of the voting power in the Company will nevertheless require the prior approval of Lloyd's if it wishes to increase its level of control beyond certain specified percentages. These are 20%, 30%, and 50%.

Effect of cross deficit clauses in Lloyd's members' agreement

In the event that a person who is a controller of the Company becomes or seeks to become a controller of another corporate member, or vice versa, Lloyd's may require that the controller enters into a cross deficit undertaking. These undertakings may provide that, if at any time and from time to time a company which at the relevant time is a member of Lloyd's and which is controlled by a person who also controls the Group fails to discharge a Lloyd's obligation incurred as an underwriting member of Lloyd's (a "Defaulting member"), then the Group's corporate member(s), if Lloyd's so requires, may have to cease or reduce their underwriting activities and Lloyd's will be entitled to require the Group's corporate member(s) to make contributions to the New Central Fund up to the amount of their respective net profits held from time to time in the Premiums Trust Fund, sufficient to reimburse the New Central Fund in full for any payment made by it on behalf of a Defaulting member. Therefore in respect of every Shareholder who holds 10% or more of the Shares and at the relevant time controls a Defaulting member, the Group's corporate member(s) may be required, if such a Defaulting member fails to meet any of its Lloyd's obligations, to cease or reduce their underwriting and apply their net profits to reimburse the New Central Fund in full for any payment made on behalf of such a Defaulting member.

In the event that the Group acquires additional corporate members and as such should any Group corporate member fail to discharge a Lloyd's obligation then the other Group corporate members whose standard membership agreements contain the cross deficit undertaking provisions will, if Lloyd's so requires, have to cease or reduce their underwriting activities and Lloyd's will be entitled to require them to make contributions to the New Central Fund up to the amount of their respective net profits held from time to time in the Premiums Trust Fund, sufficient to reimburse the New Central Fund in full for any payment made by it on behalf of the defaulting Group corporate member. This could materially adversely impact the financial performance of the Group and may result in reducing the amount of business that the Group is able to underwrite.

OFFER STATISTICS

Offer Price	£1
Number of Shares in issue prior to the Offer	2
Maximum number of Offer Shares being offered on behalf of the Company assuming Maximum Subscription	15,000,000
Maximum number of Shares in issue following closing of the Offer assuming Maximum Subscription	15,000,002
Maximum market capitalisation of the Company at the Offer Price assuming Maximum Subscription	£15.0 million*
Estimated net cash proceeds receivable by the Company pursuant to the Offer (after expenses) assuming Maximum Subscription	£11.3 million*
International Security Identification Number (ISIN)	GB00B23XLS45

EXPECTED TIMETABLE

Offer opens	13 August 2007
First allotment (subject to Minimum Subscription being reached)	3 September 2007
Dealings commence within three business days of each allotment	
Definitive share certificates dispatched in respect of the Offer Shares (where applicable) within ten business days of each allotment	
Offer closes (or such other date as the Directors may, at their discretion, resolve)	30 August 2007

* The Maximum Subscription (which assumes, for the purposes of the figures above, that 20% of the net proceeds of the Offer comprise Heritage Shares) may be increased by the Board, subject to the consent of Smith & Williamson.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

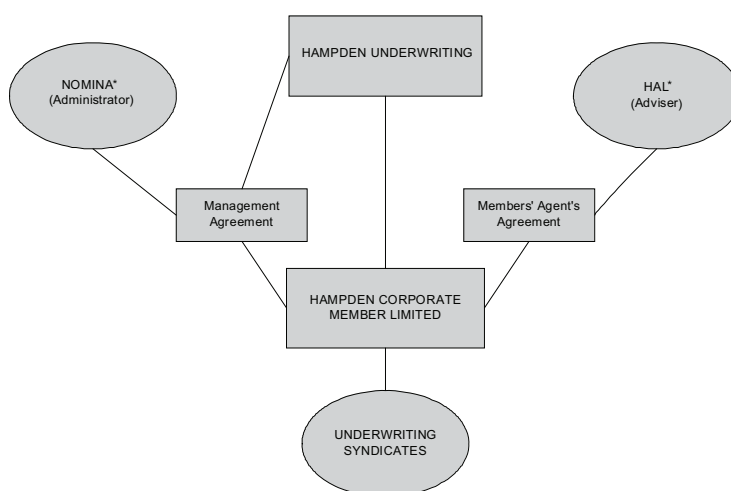
Directors	Sir James Michael Yorrick Oliver	<i>Non-executive Chairman</i>
	John Andrew Leslie	<i>Non-executive Director</i>
	Jeremy Richard Holt Evans	<i>Non-executive Director</i>
	Harold Michael Clunie Cunningham	<i>Non-executive Director</i>
	all of whose business address is: Hampden House Great Hampden Great Missenden Buckinghamshire HP16 9RD	
Company Secretary	Hampden Legal plc Hampden House Great Hampden Great Missenden Buckinghamshire HP16 9RD	
Registered Office	Hampden House Great Hampden Great Missenden Buckinghamshire HP16 9RD	
Nominated adviser and Broker	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY	
Promoter	Tax Efficient Solutions Smith & Williamson Investment Management Limited 25 Moorgate London EC2R 6AY	
Lloyd's Agent	Hampden Agencies Limited 85 Gracechurch Street London EC3V 0AA	
Solicitors to the Company	Jones Day 21 Tudor Street London EC4Y 0DJ	
Solicitors to the Offer	Barlow Lyde & Gilbert LLP Beaufort House 15 St Botolph Street London EC3A 7NJ	
Auditors and Reporting Accountants	CLB Littlejohn Frazer 1 Park Place Canary Wharf London E14 4HJ	
Registrar and Receiving agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

PART I

INFORMATION ON THE COMPANY

INTRODUCTION

Hampden Underwriting has been incorporated primarily to provide a limited liability direct investment into the Lloyd's insurance market. Neither Hampden Underwriting nor any subsidiaries of Hampden Underwriting have yet traded. The Directors believe that Hampden Underwriting will offer the only opportunity currently available for investment in a quoted company whose principal purpose is to participate in a spread portfolio of Lloyd's syndicates rather than manage syndicates itself. There are other companies whose shares are traded on the London Stock Exchange and whose activities include underwriting at Lloyd's, but the Directors believe that these do not provide such concentrated exposure to Lloyd's underwriting as Hampden Underwriting. The diagram below shows the structure of Hampden Underwriting's planned participation in Lloyd's underwriting syndicates through its subsidiary, HCM.



**HAL and Nomina are indirectly owned by Hampden Capital plc as to 100% and 99.3% of these companies' issued share capital respectively. Further information on Hampden Capital plc is set out on page 27.*

BUSINESS STRATEGY

The Company's strategy is to seek to generate returns for its shareholders primarily through participation in a carefully chosen spread portfolio of Lloyd's syndicates recommended by HCM's Lloyd's adviser, Hampden Agencies Limited ("HAL"), and also in other Lloyd's insurance-related investments and products.

This strategy will include:

- acquiring underwriting participations in Lloyd's syndicates and providing the necessary supporting funds at Lloyd's;
- the acquisition of corporate members of Lloyd's as suitable opportunities arise; and
- the acquisition of other Lloyd's insurance-related investments and products, if and when suitable opportunities arise.

Hampden Underwriting's subsidiary underwriting vehicle, Hampden Corporate Member ("HCM"), will trade within the Lloyd's insurance market as a corporate member of Lloyd's and be advised by HAL, the largest provider of third party capital in the Lloyd's market. The Board intends, subject to market conditions, to deposit any funds not so invested in interest-bearing bank deposit accounts.

The syndicates in which HCM intends to participate (subject to its being able to acquire participations therein) underwrite insurance business under the umbrella of the Lloyd's market only. It is expected that the classes of insurance underwritten by such syndicates will be broad with HCM having no

particular concentration in any specific class. The Directors do not expect that the funds committed to any one syndicate will represent over 10% of the Company's gross assets.

In addition to purchasing underwriting capacity in the yearly auctions, Hampden Underwriting may look to grow its business and acquire more capacity on syndicates through the acquisition of other corporate members. There is already a market in the sale and purchase of corporate members, in which HAL and Nomina are active. The Directors believe that the right acquisitions could lead to some significant capital gain accruing from the syndicate participations owned by the corporate members acquired and therefore enhance the importance and market presence of Hampden Underwriting itself. The Company will also have the ability to purchase shares and otherwise invest in other Lloyd's insurance related investments or products.

Potential subscribers to the Offer are being given the opportunity to subscribe to the Offer using ordinary shares which they own in Heritage Underwriting Agency plc. It is intention of the Directors that the Heritage Shares will be held by the Company as an investment and may be retained or sold at the discretion of the Board, depending on market conditions and the Company's cashflow requirements. Further information on the basis upon which potential subscribers may use their Heritage Shares to subscribe to the Offer is detailed in Part II of this document and the Terms and Conditions of the Offer and further information on Heritage is set out in Part IV of this document.

HAMPDEN AGENCIES LIMITED

Through HCM, Hampden Underwriting will not invest in the Lloyd's market as a whole, but in a carefully chosen spread portfolio of syndicates that will be recommended by HCM's Lloyd's adviser, HAL.

HCM and HAL will enter into a Members' Agent's Agreement under which HAL will provide HCM with advice in relation to its participation in syndicates. HAL may from time to time introduce corporate member acquisition or other opportunities to the Company. Introductory or other fees in relation to these opportunities will be agreed at the relevant time by the independent directors.

Further details of the agreement are set out in paragraph 13.4 of Part V of this document.

HAL's advice will be based upon analysis of the past and forecasted performance of syndicates to grade their potential to outperform the market through any given cycle. By focusing on this analysis, members advised by HAL have had a successful track record since 2001 of consistently out-performing the Lloyd's market returns.

The table below shows the way in which members advised by HAL have out-performed relative to the Lloyd's market as a whole since 2001. The figures shown for both 2005 and 2006 are estimates, as these years of account have not yet closed.

<i>Year of account</i>	<i>Percentage return on capital invested</i>	
	<i>HAL-advised members</i>	<i>Lloyd's market</i>
2001	(31.1)%	(45.9)%
2002	34.3%	28.6%
2003	52.9%	47.0%
2004	26.2%	25.9%
2005 (estimate)	(0.5)%	(12.2)%
2006 (estimate)	39.8%	36.3%

Past performance should not be taken as an indication of future performance.

Sources: HAL 2001 to 2004 at 36 months, calculated from Synopsis MAIR reports. Lloyd's Market 2001 to 2004 at 36 months from Lloyd's Global Results/ year end QMRs. 2005 estimates calculated from 2007 Q1 QMRs, Lloyd's 2006 estimate based on Lloyd's aggregate of the 2006 Q4 QMRs. HAL 2006 estimate based on a combination of Syndicate official estimates (accounting for 64% of HAL capacity) and Hampden Underwriting Research Syndicate estimates for remaining 36%. Funds at Lloyd's are assumed at 40%. All returns include personal expenses but are before members' agent's charges

This level of performance has been achieved against a background of hard and soft market conditions, and in the wake of some of the most serious catastrophe losses that have ever hit the worldwide insurance market (including the World Trade Centre loss of 2001 and Hurricane Katrina in 2005).

HAL is the largest provider of third party capital to the Lloyd's market, with over £2.0 billion of capacity under management for the 2007 year of account which, the Directors believe, gives it an influential voice in the Lloyd's market as a whole.

The Directors believe that another potential benefit for the Company is that HAL has built up strategic relationships with some of the underwriters in the market and this leaves it well placed to introduce HCM to early investments in new syndicates and other underwriting opportunities within the Lloyd's market.

Whilst the Directors believe that there is currently potential for profit to be made by investing in selected Lloyd's syndicates, this reward has to be balanced against the risk that is being run for the 2008 year of account. Exposure to catastrophe loss is controlled and monitored by Lloyd's by setting guidelines on the maximum levels of exposure. Lloyd's Managing Agents have to ensure that the syndicates under their management comply with the guidelines that have been set out by the Franchise Performance Directorate ("FPD") in respect of their gross and net exposure to a series of different catastrophe losses. The FPD stipulates that the maximum net exposure that is allowed in respect of any one of these losses is 20% of capacity.

HAL has a proven history of structuring spread underwriting portfolios that not only out-perform the market, but do so in spite of keeping the overall portfolio's exposure to catastrophe losses to less than the levels prescribed by the FPD. The Directors are advised that it is HAL's intention to do this for the 2008 year of account.

THE LLOYD'S MARKET

Background and operation

Lloyd's is a specialist insurance market, currently home to 42 Managing Agents and 66 Syndicates. Lloyd's is not an insurance company but a society of members, both corporate and individual (although new individual members are no longer permitted), who underwrite in syndicates on whose behalf professional underwriters accept risk, each of which is run by a Managing Agent which employs the underwriting staff. Supporting capital is provided by investment institutions, specialist investors, international insurance groups and individuals. The Society of Lloyd's, acting under the authority of the Lloyd's Acts 1871 to 1982 and also under specific provisions of the Financial Services and Markets Act 2000 (FSMA), manages and directs the activities of market participants and oversees the provision of various central services supporting underwriting.

Lloyd's syndicates trade as annual ventures (the underwriting year being the same as the calendar year) but do not normally close that year's trading until three years have elapsed, to allow time for any claims in respect of risks underwritten by the syndicate to be assessed and, if appropriate, paid. A syndicate normally re-forms on 1 January each year and anticipated liabilities from the previous year's trading are assessed and reinsured into the new year of account upon payment of a premium from the closing year's syndicate members.

Syndicates operate as independent business units within the Lloyd's market competing for business and cover either all or a portion of the risk and are staffed by insurance underwriters.

Each member of Lloyd's is required to provide security to support their underwriting business. This is known as funds at Lloyd's ("FAL"). The level of FAL determines the amount of insurance business, in terms of premium income, a member can underwrite. FAL can consist of cash, bank guarantees, letters of credit or certain securities. Any income generated by such funds remains the property of members. FAL are held on the terms of standard Lloyd's trusts. The amount of FAL required from members will vary, principally depending on the perceived level of risk in the business of the syndicate(s) of which they are members in a particular year of account. The minimum requirement for the level of funds required is currently 40% of underwriting capacity (35% for motor business).

In profitable years, members receive a return from underwriting in the form of their share of the profit earned from underwriting premiums on the syndicate(s) on which they have participated, in addition to investment income accruing on FAL. In years where claims exceed premiums received after taking into account expenses and investment income, the member would have to make good the deficit either by the introduction of new funds or by drawing on FAL.

Lloyd's requires members to maintain net central assets. These have to be adequate to cover any amount to ensure the member's assets (including FAL and the member's share of Premium Trust Funds held on their behalf by the syndicates) are more than its liabilities and a specified solvency margin. Any members who fail this test (which is annual) are required to make additional assets available to Lloyd's in order to continue to underwrite at the same level.

The total volume of business which a member can underwrite in any given year is measured by reference to the total amount of insurance premiums which the member can accept. By allocating capital support to each syndicate each year, the members determine the amount of business that the syndicate can underwrite on their behalf.

Having underwritten through a syndicate in a particular year, a member of Lloyd's has the right to remain as a member of that syndicate for the following year. Before the start of the next year of account, Lloyd's holds capacity auctions to acquire capacity on certain syndicates, both old and new, for the next succeeding underwriting year for which an exiting holder does not wish to retain its capacity. The auctions are the main method for existing members to increase their underwriting and for new members to build a portfolio. Each auction takes place over two days. Lloyd's does not permit capacity trading to occur, so that if a member sells his capacity in one auction, he cannot buy it back again at a subsequent auction in the same year. Conversely, where a member buys capacity, he cannot sell it again at a subsequent auction in the same year (except in certain limited circumstances).

Syndicates at Lloyd's underwrite insurance risks worldwide, with the core markets being in the United Kingdom and the United States in the marine, non-marine, aviation, motor, large commercial and reinsurance sectors.

Performance

Since 2004, the Lloyd's market has effectively weathered the most serious losses that have ever hit the worldwide insurance industry. The Directors believe this is far more important than the fact that the market produced good profits against the background of the very hard market that existed in 2002 and 2003. The 2004 year of account made a profit of 10.4% (a percentage return on capital invested of 25.9%), despite the fact that there was in that year the largest incidence of catastrophe losses then ever seen. For the calendar year 2005, Lloyd's reported a loss of £103 million in spite of the fact that it was trading in a year when there were some US\$83 billion of major catastrophe losses. After two years of relatively high catastrophe incidence, 2006 saw a low incidence. This resulted in a reported calendar year profit of £3.7 billion, which again compares favourably with Lloyd's peers.

The Directors believe that two of the main ramifications of the large US catastrophe losses of 2004 and 2005 are that they have led to an improvement of rating levels for certain classes of business and they have changed the shape of the worldwide insurance industry, which gives the best Lloyd's syndicates a significant trading opportunity for the medium term. Rates have increased by substantial margins in classes of insurance business such as reinsurance, US property and US off-shore energy following these losses. The Directors believe that what is arguably more important, however, is that there has been an erosion of worldwide competition in some insurance classes, especially certain sectors of the reinsurance market. As a result of this, the Directors do not expect to see a significant softening of rates in many of the major catastrophe exposed insurance classes in the medium term. Market conditions in non-catastrophe exposed classes are more competitive but the Directors believe that these classes still contain areas where underwriters can make reasonable returns. Therefore, the Directors believe that current underwriting conditions offer the potential to produce good underwriting profits although they do not believe these conditions will continue indefinitely.

Regulation

Lloyd's is now regulated by the FSA. However, the Directors believe that the main reason why recent results have been so much better than might have been expected from past experience is that Lloyd's itself

has undertaken a comprehensive process of internal reform over the past few years, the most crucial component of which was the establishment of the FPD in 2002. The main job of the FPD has been to improve the performance of the market as a whole, by means of reviewing both syndicates' business plans and their actual underwriting. The Directors believe that anyone considering participating in the Lloyd's market for 2008 can derive considerable comfort from the fact that the Lloyd's market as a whole is significantly better regulated than in earlier years.

There are now only 29 syndicates (out of a total of 66) that are open to third party capital for 2008. There has been a dramatic reduction in the number of syndicates over the past few years, and those syndicates that have survived, have been subject to much closer scrutiny from the FPD.

CURRENT TRADING AND PROSPECTS FOR THE GROUP

To date, neither Hampden Underwriting nor HCM has traded. HCM will bid in the capacity auctions on 4 and 5 September 2007, 13 and 14 September 2007 and 25 and 26 September 2007.

The Group intends to participate in the auctions each year to increase its underwriting capacity as it deems appropriate at the time and to the extent that it has funds available. In addition, the Group will look to grow its business and acquire more capacity on syndicates through the acquisition of other corporate members and will also consider investments in other insurance related businesses or products within the Lloyd's market.

CONTROLLER PROVISIONS

Prospective shareholders in the Company should note that prior consent of Lloyd's will be required for any person, either alone or with their associates, *inter alia*, to hold 10% or more of the Company's issued shares as it will be regarded as a controller of the Company and of HCM. In order to obtain such consents, the prospective shareholder will be required to provide information to Lloyd's and may be required to give undertakings.

If a shareholder fails to obtain such consent, the Directors may invoke provisions contained within the Company's Articles of Association which may result, *inter alia*, in a number of ordinary shares being held by the shareholder ceasing to carry the right to vote at general meetings of the Company or the shareholder being required to sell such number of ordinary shares such that he would no longer have a notifiable interest. Further details of the relevant provisions from the Articles of Association are set out at paragraph 7.2 of Part V.

THE CITY CODE

Certain persons (Hampden Capital plc (see page 27) and those of its directors intending to subscribe for Shares pursuant to the Offer: Sir Michael Oliver, Jeremy Evans, The Hon. David Brougham, Nigel Hanbury, Peter Nutting, Timothy Oliver and Nicholas Wentworth-Stanley) are deemed to be acting in concert in relation to the Offer and Admission for the purposes of the City Code. Assuming Minimum Subscription, it is possible that the Concert Party may hold up to 49.9% of the Company's issued share capital following the Offer. Relevant details are set out in paragraph 9 of Part V of this document.

DIRECTORS, KEY MANAGEMENT, CONSULTANTS AND EMPLOYEES

The biographical details of the Directors and senior management of the Company are set out below:

Directors

Sir James Michael Yorrick Oliver, aged 67, (*Non-executive Chairman*)

Sir Michael Oliver is a director of a number of investment funds, and the chairman of a specialised central and eastern European fund. He was previously a director, Investment Funds at Hill Samuel Asset Management and of Scottish Widows Investment Partnership Limited. He was a partner in stockbrokers Kitkat & Aitken for 20 years and subsequently managing director of Carr Kitkat & Aitken between 1990 and 1993. He is non-executive chairman of Zirax plc and Europa Oil & Gas (Holdings) plc, both of which are quoted on AIM. Sir Michael is also a director of Hampden Capital plc.

John Andrew Leslie, aged 62, (*Non-executive Director*)

Andrew Leslie has 40 years' experience as an insurance broker. He started his career with Leslie & Godwin in 1967, where he held a number of senior positions, until 1986 when he left to join Morgan Read and Coleman as a director. In 1991 he and three others effected a management buy out of the company which was then purchased by Arthur J. Gallagher (UK) Limited in 1996. Until recently he was a main board director of Arthur J. Gallagher (UK) Limited. Andrew was also a director of Nomina.

Jeremy Richard Holt Evans, aged 49, (*Non-executive Director*)

Jeremy Evans joined Minorities Underwriting Agencies in 1993, which was subsequently transferred to Aberdeen Underwriting Advisers Limited, with specific responsibility for its corporate capital plans, including the development of a conversion scheme for existing members. He has been a director of HAL since 1999 and is also the managing director of Nomina.

Harold Michael Clunie Cunningham, aged 59, (*Non-executive Director*)

Michael Cunningham joined Neilson Hornby Crichton & Co in 1976, becoming a partner in 1981. In 1986, he became a director of Neilson Cobbold Limited, formerly Neilson Milnes Limited, which is now part of Rathbone Brothers. He has worked in the investment management business for over 20 years and formerly had responsibility for venture capital trusts and Rathbones Enterprise Investment Scheme portfolios and Inheritance Tax service, which have raised over £100 million in total.

Hampden Agencies Limited

HAL provides advice on insurance underwriting affairs, both to private and corporate investors, on an unlimited and limited liability basis. This includes syndicate recommendations, assessing market trends and providing analytical services. HAL is the largest adviser to private investors at Lloyd's. It looks after 775 clients who participate in Lloyd's on an unlimited liability basis and 576 limited companies and limited partnerships. Together they currently commit capacity of approximately £2.0 billion to Lloyd's syndicates with backing of approximately £800 million of capital.

HAL will provide advice to HCM from a team of experienced individuals and research analysts. HAL is managed by the following individuals:

Nigel Hanbury, *Chief Executive*

Nigel Hanbury joined Lloyd's in 1979 as an external member and became a Lloyd's broker in 1982. He later moved to the Members' Agency side. He serves on the board of the Association of Lloyd's Members and was elected to the Council of Lloyd's for "Working Names" constituency and served on that body between 1999 and 2001, as well as participating on the Market Board and other Lloyd's committees. In January 2005, Nigel was re-elected to the Council for his second three year term.

Nick Carrick, *Hampden Underwriting Research*

Nick Carrick joined Lloyd's in 1977 and moved into an underwriting agency role in 1983. He is a Fellow of the Chartered Insurance Institute and was appointed head of Hampden Underwriting Research in 2002.

Jeremy Evans, *Director*

Jeremy Evans (see entry in "Directors" above) is an executive director of HAL where he has particular responsibility for business development.

Nomina plc

Nomina is an established provider of support services to corporate members and currently looks after over 800 corporate members. Prior to the first 2007 auction, Nomina will enter into a management agreement with HCM and Hampden Underwriting to provide HCM and Hampden Underwriting with administrative and support services. Further details of this management agreement are provided at paragraph 13.3 of Part V of this document.

Hampden Capital plc

Hampden Capital plc, through its wholly owned subsidiary Hampden Private Capital Limited, owns 100% of the issued share capital of HAL and 99.3% of the issued share capital of Nomina.

Hampden Capital plc's principal activity is the provision of services to private capital members of the Lloyd's insurance market and others.

77.9% of Hampden Capital plc's issued share capital is owned by Hampden Holdings Limited. Hampden Holdings Limited is the holding company for a group of companies whose principal activities are the provision of insurance services, Lloyd's members' agency services and independent financial and taxation advice to individuals.

Additional information on Hampden Capital plc and Hampden Holdings Limited is set out in paragraph 9 of Part V of this document.

Employees

The Group currently has no employees and does not expect to employ anyone pursuant to its current business plan.

CORPORATE GOVERNANCE AND BOARD PRACTICES

The Directors recognise the importance of sound corporate governance and will, in so far as is practicable given the Company's size, its business and the constitution of the Board, comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice.

Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company intends to hold Board meetings at least four times each financial year and at other times as and when required.

Committees

The audit committee of the Company, comprising Michael Cunningham and Andrew Leslie (both non-executive Directors) will be chaired by Andrew Leslie and will meet at least twice a year. The audit committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It will also meet the auditors and review reports from the auditors relating to accounts and internal control systems. The audit committee will meet once a year with the auditors. Further details of their letters of appointment can be found at paragraph 12.1 of Part V of this document.

The Company has not established a remuneration committee since it does not have any employees or executive directors.

The Company has adopted a model code for Directors' dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

Conflict management

Jeremy Evans is a director of HAL and Nomina as well as of the Company. Michael Oliver is a director of Hampden Capital plc which, through its subsidiary Hampden Private Capital Limited, owns 100% of HAL's issued equity share capital and 99% of Nomina's issued equity share capital. The Articles of Association of the Company provide that neither Director will vote in respect of arrangements relating to HAL's appointment as a Group company's Member's Agent or to Nomina's appointment as provider of administrative and support services or any other arrangements or contracts where HAL or Nomina has an interest.

DIVIDEND POLICY

The Group will retain a flexible dividend policy, dependant upon the level of distributable profits and the cash needs of the Group. When considering the appropriate level of dividends, the Directors will have regard to the Group's ability to deploy capital profitably, surplus capital in the business and the insurance cycle.

PART II

INFORMATION ON THE SHARES AND THE OFFER

REASONS FOR OFFER AND USE OF PROCEEDS

The Company is offering up to 15,000,000 Shares to the UK public under the Offer (this maximum may be increased by the Board, subject to the consent of Smith & Williamson) at the Offer Price, the terms and conditions of which are set out in this document and the accompanying Application Form, to raise funds for the Company to invest principally in a portfolio of Lloyd's underwriting syndicates. The estimated cash proceeds of the Offer (after expenses and assuming Maximum Subscription and that 20% of the value of the net proceeds of the offer comprise Heritage Shares) are £11.3 million. It is intended that the net proceeds raised in the Offer will be used: (i) in acquiring underwriting participations in Lloyd's syndicates and providing the necessary supporting funds at Lloyd's; (ii) potentially for the acquisition of corporate members of Lloyd's as suitable opportunities arise; (iii) for the acquisition of other Lloyd's insurance related products if and when suitable opportunities arise; and (iv) for the Company's working capital requirements. The Board intends, subject to market conditions, to deposit any funds not so invested in interest-bearing bank deposit accounts. The Offer is not being underwritten.

As part of the Offer, persons who own ordinary shares in Heritage and who also subscribe for Shares in cash are being given the opportunity to exchange Heritage Shares for Shares on the basis of 1 Share for every £1 of value of their Heritage Shares being exchanged. The value of each Heritage Share exchanged will be deemed to be the closing market bid price of a Heritage Share on the last business day preceding the date of allotment of the relevant Shares. Holders of Heritage Shares will only be able to exchange such shares for Shares if they are subscribing for Shares in cash under the Offer at the same time and the maximum number of shares which are subscribed for by tendering Heritage Shares cannot exceed the number of Shares subscribed by each such person in cash (subject to the Board reserving the right to treat any such over-subscription of Heritage Shares as valid). Further information on Heritage is set out in Part IV of this document.

The maximum value of Heritage Shares to be accepted by the Company pursuant to the Offer (on a first come/first served basis) will be 20% of the total amount subscribed under the Offer net of expenses. Assuming Maximum Subscription and based on the number of Heritage Shares in issue as at 31 July 2007, and the closing mid-market price of Heritage Shares at 10 August 2007, it is expected that the Company's maximum potential interest in Heritage as a result of the Offer will be below 4% of that company's issued share capital.

Hampden Capital plc, a holding company of HAL, intends to invest £1.0 million under the Offer although it may invest up to a maximum of £1.5 million.

OFFER COSTS

The initial costs to the Company of the Offer are capped at 6% of the value of gross subscriptions including cash and Heritage Shares (for further details please see paragraph 13.1 of Part V of this document). Assuming Maximum Subscription, it is estimated that such costs will amount to approximately 5.7% of proceeds.

TIMETABLE

The Offer will remain open until the earlier of the date on which Maximum Subscription is reached and 3.00 pm on 30 August 2007 (or such later date to which the Directors extend the Offer). The Directors reserve the right to accept applications and issue Shares at any time prior to the closing date of the Offer. The Directors also reserve the right to extend or increase the size of the Offer. It is expected that dealings will commence no later than the third business day following the date of the relevant allotment. Share certificates are expected to be issued no later than 10 business days following the date of the relevant allotment.

APPLICATION PROCEDURE

The Directors in their absolute discretion will determine the basis of allocation of the Shares but expect to allocate Shares on a first come/first served basis. To the extent that any application is not accepted, any excess payment in cash and/or Heritage Shares will be returned in accordance with the terms and

conditions of the Offer set out on pages 63 to 72 of this document. The Receiving Agent will not acknowledge receipt of applications. An Application Form together with notes on its completion is enclosed with this document.

Provided that applications are for a minimum of £3,000 in cash, they can be for any amount (subject to the number of the Heritage Shares exchanged not exceeding the number of Shares subscribed for in cash by any such investor). Application Forms should be sent or delivered, together with the full amount payable in respect of the application (and, where relevant, the share certificates in relation to Heritage Shares), by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. All payments must be made in pounds sterling by cheque or banker's draft drawn on a bank in the UK, the Channel Islands or the Isle of Man bearing a UK bank code in the top right hand corner. Cheques and banker's drafts should be made payable to "Capita IRG Plc re Hampden offer for subscription" and crossed "A/C payee only". Your attention is drawn to the statements concerning the Money Laundering Regulations 2003 in the Terms and Conditions.

Monies or Heritage Shares which are not sufficient to subscribe for one whole Share will not be refunded and fractions of Shares will not be issued. The Offer is conditional on achieving the Minimum Subscription; if the Minimum Subscription has not been achieved by 30 August 2007, monies without interest thereon and Heritage Shares will be returned to investors in accordance with Terms and Conditions.

ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Application will be made for Admission in respect of the Shares. It is expected that Admission will become effective and dealings in the Shares will commence three days after the initial allotment of Shares. Following Admission, announcements of allotments under the Offer (if extended) will be made as required by the AIM Rules. No application is being made for the Shares to be admitted to listing or to be dealt in on any other exchange. Definitive share certificates are expected to be dispatched to each successful Applicant by post within 10 working days of each allotment. Temporary documents of title will not be used in connection with the Offer. Dealings prior to receipt of share certificates will be at the risk of Applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

LOCK-IN AGREEMENTS

Details of the Directors' holdings of Shares are set out in paragraph 8 of Part V of this document.

The Directors and Hampden Capital plc have, in accordance with the AIM Rules, undertaken to the Company and Smith & Williamson not to dispose of any interests in Shares (except in certain limited circumstances, such as a takeover offer for the Company) for a period of 12 months from Admission and for a further 12 months thereafter to deal in their Shares only through Smith & Williamson.

SETTLEMENT AND CREST

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. Application will be made by the Company for Shares in issue at Admission to be admitted to CREST. Those successful Applicants who wish to take advantage of the ability to trade in Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to convert their holdings into dematerialised form. Investors should be aware that Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Shares held in CREST.

CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

TAXATION

Information regarding taxation is set out in paragraph 16 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

PART III

ACCOUNTANT'S REPORT ON THE COMPANY

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER
Chartered Accountants
1 Park Place
Canary Wharf
London E14 4HJ

The Directors
Hampden Underwriting plc
Hampden House
Great Hampden
Great Missenden
Buckinghamshire
HP16 9RD

The Directors
Smith & Williamson Corporate Finance Limited
25 Moorgate
London
EC2R 6AY

13 August 2007

Dear Sirs

HAMPDEN UNDERWRITING PLC

We report on the financial information set out below relating to Hampden Underwriting plc (“the Company”) and its subsidiary undertaking (together “the Group”). This information has been prepared for inclusion in the AIM admission document and prospectus dated 13 August 2007 (the “Admission Document”) relating to proposed admission to AIM of the Company. This report is required by Item 20.1 Annex I of the Commission Regulation of Prospectuses No. 809/2004 (“the Prospectus Directive”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying Item 1.2 of Annex I of the Prospectus Directive consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document and prospectus dated 13 August 2007, a true and fair view of the state of affairs of the Group as at 30 June 2007 and of its cash flow and changes in equity for the period then ended in accordance with the basis of preparation and in accordance with International Financial Reporting Standards.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Item 1.2 of Annex I of the Prospectus Directive.

Yours faithfully

CLB Littlejohn Frazer
Reporting Accountants

Consolidated balance sheet

	<i>Notes</i>	<i>As at 30 June 2007 £</i>
Assets		
Current assets		
Other receivables	4	37,500
Cash and cash equivalents	5	<u>12,500</u>
Total assets		<u>50,000</u>
Equity		
Capital and reserves		
Share capital	6	<u>50,000</u>
Total equity and liabilities		<u>50,000</u>

Consolidated statement of changes in equity

	<i>Share capital £</i>	<i>Total equity £</i>
At the beginning of the period	—	—
Issue of share capital	<u>50,000</u>	<u>50,000</u>
At end of the period	<u>50,000</u>	<u>50,000</u>

Consolidated cash flow statement

	<i>From 1 August 2006 to 30 June 2007 £</i>
Cash flows from financing activities	
Proceeds from issuance of ordinary shares	—
Proceeds from issuance of redeemable shares	<u>12,500</u>
	12,500
Net increase in cash and cash equivalents	12,500
Cash and cash equivalents at beginning of the period	—
Cash and cash equivalents at the end of the period	<u>12,500</u>

Notes to the financial statements

1. General information

The Company was incorporated in England and Wales on 1 August 2006 as a public limited company with the name Sentinel Underwriting Plc. On 9 July 2007 it changed its name to Hampden Underwriting plc.

The Group has not traded, has not prepared any financial statements, has incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions in the period since incorporation. There have been no transactions other than the allotment of shares described in note 6 below. Accordingly, no income statement is presented in this report.

The financial information has been prepared solely for the purposes of the AIM admission document and does not constitute statutory accounts for the period presented.

The financial statements are presented in Sterling.

2. Basis of preparation

The financial information is prepared under the historical cost convention and is in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and issued by the International Accounting Standards Board (“IASB”).

The financial information has been prepared in accordance with the IFRS’s issued by the IASB as at 30 June 2007.

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 30 June 2007.

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transaction between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Redeemable shares

Redeemable shares are recognised as equity where they do not exhibit the characteristics of a liability.

4. Other receivables

	<i>As at</i>
	<i>30 June 2007</i>
	£
Unpaid redeemable shares	<u>37,500</u>
	<u>37,500</u>

5. Cash and cash equivalents

Cash represents funds held to the Company's order in a nominated solicitors' escrow account.

6. Share capital

	<i>As at</i>
	<i>30 June 2007</i>
	£
Authorised:	
50,000 ordinary shares of 10p each	5,000
50,000 redeemable preference shares of £1 each	<u>50,000</u>
	<u>55,000</u>
Allotted and called up:	
2 ordinary shares of 10p each	—
50,000 redeemable preference shares of £1 each	<u>50,000</u>
	<u>50,000</u>

The Company was incorporated on 1 August 2006 with authorised share capital of £55,000 divided into 50,000 ordinary shares of 10p each and 50,000 redeemable preference shares of £1 each. Two ordinary shares were issued to the subscribers on incorporation.

On 3 August 2006 50,000 redeemable shares were issued at £1 each, one quarter paid up.

The redeemable shares can only be redeemed at the Company's option.

At an extraordinary general meeting held on 9 August 2007, the authorised share capital of the Company was increased to £3,000,000 by the creation of 29,450,000 new ordinary shares.

7. Acquisition of subsidiary

On 2 August 2006 the Group acquired the entire issued share capital of Hampden Corporate Member Limited in consideration for cash.

Details of the acquisition are as follows:

	<i>Acquiree's carrying</i>
	<i>amounts and</i>
	<i>fair value</i>
	£
Net liabilities acquired	
Cash and cash equivalents	<u>2</u>
Net assets acquired	<u>2</u>
Satisfied by:	
Cash	<u>2</u>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiary	<u>—</u>

8. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

9. Financial statements

The Company has not yet passed its first accounting reference date and no financial information has been presented to its members.

PART IV

INFORMATION ON HERITAGE

As part of the Offer, persons who own ordinary shares in Heritage and who also subscribe for Shares in cash are being given the opportunity to exchange Heritage Shares for Shares on the basis of 1 Share for every £1 of value of their Heritage Shares being exchanged. Further details are set out in Part II of this document and the Terms and Conditions.

The maximum value of Heritage Shares to be accepted by the Company pursuant to the Offer (on a first come/first served basis) will be 20% of the total amount subscribed under the Offer net of expenses. Assuming Maximum Subscription and based on the number of Heritage Shares in issue as at 31 July 2007, and the closing mid-market price of Heritage Shares at 10 August 2007, it is expected that the Company's maximum potential interest in Heritage as a result of the Offer will be below 4% of Heritage's issued share capital.

Business description

Heritage is a specialist insurer based in London which was admitted to trading on AIM in August 2006. Its business is focused on underwriting worldwide property and non-US liability risks. The worldwide property unit (Syndicate 1200) concentrates mainly on underwriting short-tail risks with an emphasis on commercial property. The non-US liability unit (Syndicate 3245) underwrites non-US professional indemnity insurance and other liability classes.

Heritage's underwriting activities are carried out through two core business units operating as Lloyd's syndicates and managed by Heritage Managing Agency Limited. Heritage has recently put a proposal to merge Syndicate 1200 and Syndicate 3245 to the members of those syndicates.

Heritage's market capitalisation as at 10 August 2007 was £74.9 million (based on a closing mid-market share price at that date of 101p per Heritage Share and shares in issue at 31 July 2007 of 74.15 million).

Financial information

Summary audited financial information on Heritage, extracted from Heritage's annual report for the year ended 31 December 2006, is set out below:

	<i>31 December 2006</i>	<i>31 December 2005</i>
	<i>£m</i>	<i>£m</i>
Revenue	94.5	55.9
Net insurance claims	(45.6)	(44.9)
Operating expenses	(35.4)	(17.2)
Results of operating activities	13.5	(6.2)
Profit before tax	10.3	(4.6)
Profit/(Loss) attributable to ordinary shareholders	7.2	(3.5)
Total assets	453.9	382.3
Total liabilities	395.8	365.0
Total shareholders' equity	58.1	17.3

PART V

ADDITIONAL INFORMATION

1 Responsibility statement

- 1.1 The Company, whose registered office appears in paragraph 2.3 below, and the Directors, whose names and functions appear on page 20 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2 The Company

- 2.1 The Company was incorporated and registered in England and Wales on 1 August 2006 under the Companies Act as a public company limited by shares with the name Sentinel Underwriting plc and with registration number 05892671. On 3 August 2006 the Company obtained a trading certificate pursuant to section 117 of the Act. The Company changed its name to Hampden Underwriting plc on 9 July 2007. The Company is domiciled in England and Wales.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.3 The Company's registered office is at Hampden House, Great Hampden, Great Missenden, Buckinghamshire HP16 9RD and its telephone number is +44 (0) 207 863 6500.
- 2.4 The accounting reference date of the Company is 31 December.

3 Important events in the development of the issuer's business

In order to trade as a public company, the nominal value of the Company's allotted share capital must be not less than £50,000 and each of the Company's allotted shares must be paid up at least as to one quarter of the nominal value of that share.

Accordingly the Company was incorporated with two fully paid Shares issued to the subscribers to the Company's Memorandum of Association and shortly afterwards 50,000 Redeemable Preference Shares were issued credited as fully paid to HAL. The two subscribers' shares were subsequently transferred to Jeremy Evans.

The terms of redemption and the rights of the Redeemable Preference Shares are set out at paragraph 7.2(k) of this Part V. It is the intention of the Company to redeem these Redeemable Preference Shares shortly after Admission out of the proceeds of Admission.

4 The Group

- 4.1 The Company has one subsidiary, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Proportion of ownership interest</i>	<i>Proportion of voting power</i>
Hampden Corporate Member Limited	England and Wales	100%	100%

- 4.2 The Company is the holding company of the Group.

5 Share capital

- 5.1 At the date of incorporation, the authorised share capital of the Company was £55,000 divided into 50,000 ordinary shares of 10p each and 50,000 Redeemable Preference Shares of £1 each, of which 2 Shares were issued credited as fully paid to the subscribers to the Company's Memorandum of Association.
- 5.2 Since 1 August 2006, the following changes have been made to the authorised and issued and fully paid share capital of the Company:
- (a) at an extraordinary general meeting held on 2 August 2006, the Company issued 50,000 Redeemable Preference Shares to HAL; and

(b) at an extraordinary general meeting held on 9 August 2007, the authorised share capital of the Company was increased to £3,000,000 by the creation of 29,450,000 Shares.

5.3 The Company's authorised and issued fully paid share capital, at the date of this document is, and immediately following the Offer and Admission (assuming Maximum Subscription) will be as follows:

	<i>At the date of this document</i>		<i>Following the Offer</i>	
	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
	<i>£</i>		<i>£</i>	
Authorised	3,000,000	29,550,000*	3,000,000	29,550,000
Issued and fully paid	50,000	50,002	1,500,000	15,000,002

*This figure includes 50,000 Redeemable Preference Shares of £1 each issued to HAL which will be redeemed at par following Admission out of the proceeds of the Offer. The Redeemable Preference Shares will not be admitted to trading on AIM.

5.4 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied by resolution of the Company set out below.

5.5 By special resolution (passed as a written resolution) of the sole shareholder of the Company passed on 9 August 2007:

- (a) the authorised share capital of the company was increased from £55,000 to £3,000,000 by the creation of a further 29,450,000 Shares;
- (b) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £3,000,000 in connection with the Offer, and, following closing of the Offer, limited to an aggregate nominal value equal to the lower of the authorised but unissued share capital and one third of the aggregate nominal value of the issued share capital, such authority to expire on the fifth anniversary of the special resolution; and
- (c) the Directors were empowered to allot equity securities (as defined in section 94(2) of the Act) in connection with the Offer and thereafter up to an aggregate nominal value equal to the lower of the authorised but unissued share capital and one tenth of the aggregate nominal value of the issued share capital, as if section 89(1) of the Act did not apply to such allotment, in the period ending on the date following 15 months after the date of Admission or, if earlier the conclusion of the annual general meeting to be held in 2008.

5.6 The Company had no Shares in issue on or prior to 1 August 2006.

5.7 There are no shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiaries holds any shares in the Company.

5.8 Save pursuant to the Offer, no person has any rights to purchase the authorised but unissued capital of the Company and no person has been given an undertaking by the Company to increase its authorised capital.

5.9 The International Security Identification Number for the Shares is GB00B23XLS45.

5.10 No person has any rights over the capital of any of the Subsidiaries of the Company and the Company has not agreed conditionally or unconditionally to grant any option over the capital of any of the Subsidiaries.

5.11 The Shares are in registered form and capable of being held in certificated and uncertificated form. None of the Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Offer. The Shares to be issued pursuant to the Offer are being issued at a price of £1 (sterling) per share, representing a premium of 90p over the nominal value of 10p each.

5.12 On completion of the Offer (assuming Maximum Subscription), the issued share capital of the Company shall be increased by up to £1,450,000 resulting in an immediate dilution of 96.7%.

6 Warrants/Convertible Securities

The Company has no warrants, options or other convertible securities.

7 Memorandum and Articles of Association

7.1 *Memorandum of Association*

The objects and purposes of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company.

7.2 *Articles of Association*

The Articles, which were adopted pursuant to a written resolution of the Company passed on 9 August 2007, contain provisions, *inter alia*, to the following effect:

(a) *Voting*

Subject to any rights or restrictions as to voting attached to any class of shares at any general meeting:

- (i) on a show of hands every member who is present in person shall have one vote; and
- (ii) on a poll every member who is present in person or by proxy has one vote for every share of which he is the holder. A member is not entitled to vote if any calls or other monies due in respect of his shares remain unpaid and a shareholder may be disenfranchised where he, or a person appearing to be interested in shares fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(b) *Dividends, distributions and return of capital*

Dividends may be declared by ordinary resolution but shall in no event exceed the amount recommended by the directors.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the shares in respect of which the dividend is paid.

If any member or any other person appearing to be interested in shares held by that member representing 0.25% or more of the class of shares concerned shall be in default in supplying to the Company any information required by any notice given pursuant to section 212 of the Act, the directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares shall be retained by the Company and that any right to receive any additional shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

For so long as the Company has only one class of shares, on a liquidation of the Company the holders of shares are entitled *pari passu* amongst themselves in proportion to their shareholdings and to the amounts paid up or credited as paid up on their shares to share in any surplus assets of the Company.

(c) *Unclaimed dividends*

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed twelve years after having become due for payment shall be forfeited and shall revert to the Company.

(d) *Untraced shareholders*

The Company may sell any shares in the Company of a member who is untraceable if, during a period of twelve years:

- (i) no cheque order or warrant addressed to the member or the person entitled to such shares by transmission has been cashed;
- (ii) no communication has been received from such member or any person entitled to the shares by transmission;
- (iii) the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed; and
- (iv) the Company gives notice to the London Stock Exchange and in both a national newspaper and a newspaper circulating in the area where the member's last known address is located of its intention to sell.

(e) *Variation of rights*

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

(f) *Alteration of capital*

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate all or any of its share capital;
- (iii) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (iv) sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

(g) *Transfer of shares*

All transfers of shares shall be effected by instrument in writing, in any usual or common form or in any other form acceptable to the directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferee. The directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of a share which is not fully paid. The Articles contain no restrictions on the free transferability of fully paid shares provided that the instrument of transfer is in favour of not more than four transferees, is duly stamped (if so required), the provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served under section 212 of the Act in circumstances described in the Articles.

(h) *Meetings of shareholders*

An annual general meeting, and an extraordinary general meeting convened for the passing of a special resolution, shall be convened by not less than twenty-one (21) clear days' notice. All other extraordinary general meetings shall be convened by not less than fourteen (14) clear days' notice. The Board may convene an extraordinary general meeting whenever it thinks fit.

The notice of meeting shall specify:

- (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
- (ii) the place, the day and the time of the meeting;
- (iii) subject to the requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading and/or the London Stock Exchange, the general nature of the business to be transacted;
- (iv) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such; and
- (v) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

The notice of meeting shall be given to the members (other than a member who, under the Articles or any restrictions imposed on any shares, is not entitled to receive notice from the Company) and to the Directors and may specify a time by which a person must be entered on the register of members in order for such person to have the right to attend or vote at the meeting.

The quorum for a general meeting is two persons present in person or by proxy.

(i) *Directors*

- (i) Each of the directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine provided that such fees shall not exceed in aggregate £100,000 per annum or such other figure as the Company in general meeting from time to time agree. The directors are also entitled to be repaid all traveling and hotel expenses incurred by them in or about the performance of their duties as directors. The Board may also grant special remuneration to any director who, being called upon, performs any special duties outside his ordinary duties as a director.
- (ii) A director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any director is in any way interested liable to be avoided, nor is any director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the director at a meeting of the Board.
- (iii) Any director who is also a director of the Company's Member's Agent and/or of the Company's provider of administrative and support services (or a director of any direct or indirect holding company of such a company) may not vote in respect of any contract or arrangement or any other proposal, with that Member's Agent and/or that provider of administrative and support services, and will not be counted in the quorum for any meeting held in relation to such resolution.
- (iv) Save as provided below, a director may not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.
- (v) A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:
 - (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (c) any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1% or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;
 - (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme which is approved by or subject to the approval of the Inland Revenue or relating to any arrangement for the benefit of employees generally which does not accord to him as a director any privilege or advantage not generally accorded; or
 - (f) any proposal concerning the purchase and/or maintenance of an insurance policy under which a director may benefit.
- (vi) There is no requirement for directors to hold qualification shares.
- (vii) The Articles do not specify any age limit for directors, who may remain in office when they are over 70.

(j) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities. The Board must ensure that the aggregate amount for the time being all borrowings of the Company and its subsidiaries of all borrowing of the Company and its subsidiaries (other than

owing by the Company and any of its subsidiary undertakings in respect of intra group borrowings) shall not at the date of any such borrowings, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £8 million and an amount equal to 2 times the Adjusted Capital and Reserves (as defined in the Articles).

(k) *Rights of the Redeemable Preference Shares*

The Redeemable Preference Shares are not entitled to any vote in the general meeting of the Company or to receive any dividend.

Subject to there being distributable profit or a fresh issue of shares, the Company shall redeem all of the Redeemable Preference Shares not previously redeemed on the earliest to occur of Admission and 31 December 2007.

(l) *Restrictions on Shares – Regulatory Provisions*

- (i) If any person and/or any of his connected persons proposes to acquire, increase or reduce a Lloyd's Notifiable Holding in the Company he shall notify the Company immediately of such proposal or if a change in Lloyd's Control occurs in respect of a person and/or any of his connected persons without the person taking any steps he shall notify the Company within 14 days of becoming aware of such change and in both cases he shall notify the Council of Lloyd's in accordance with the provisions of the Membership Byelaw.
- (ii) Where any person acquires or disposes of any interest in any shares of the Company who is or becomes or who is likely to become a Lloyd's broker or associated with (within the meaning of sections 11 and 12 of the Lloyd's Act 1982) a Lloyd's broker the member concerned shall, insofar as the facts lie within his knowledge, notify the Company in writing at its registered office of such acquisition or disposal, the number of shares concerned, details of the association or connection and the identity of the Lloyd's broker.
- (iii) The Board may assume without enquiry that a person is not a Lloyd's Controller. The Board may determine that any person is a Lloyd's Controller or has a Lloyd's Notifiable Holding or is a Lloyd's broker or is associated with (within the meaning of sections 11 and 12 of the Lloyds Act 1982) a Lloyd's broker if there are reasonable grounds for believing that that person is a Lloyd's Controller or has a Lloyd's Notifiable Holding or is a Lloyd's broker or is associated with (within the same meaning) a Lloyd's broker (notwithstanding that the Company has not been supplied with a declaration or other evidence establishing to its satisfaction that such person is or may become a Lloyd's Controller or has a Lloyd's Notifiable Holding, or is a Lloyd's broker or associated with (within the same meaning) a Lloyd's broker) until such time as the Board is satisfied that such is not the case.
- (iv) The Board may at any time, serve a notice upon any member requiring him to furnish the Board with such information supported by a declaration and by such other evidence (if any) in support (in the case of (b) to (d) below, to the extent that such paragraphs apply to any person other than the member, so far as such information lies within the knowledge of or can be obtained by such member) as the Board may required, for the purpose of determining whether;
 - (a) such member is or is likely to be a party to an agreement or arrangement (whether legally enforceable or not) whereby any of the shares held by him are to be voted in accordance with some other person's instructions (whether given by that other person directly or through any other person); or
 - (b) such member and/or any of his associates and/or any of his connected persons and/or any other person who has an interest in any shares held by such member is a Controller or proposes to become a Controller and/or has a Notifiable Holding; or
 - (c) such member and/or other person who has an Interest in any shares held by such member has an interest in any shares or any characteristics which might cause:
 - (1) the Council of Lloyd's to determine, suspend or revoke the membership of Lloyd's of any subsidiary of the Company or to refuse to permit any subsidiary of the Company to become a member of Lloyd's or to restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd's; or
 - (2) the Council of Lloyd's to determine, suspend or revoke the registration as a managing agent or service company of any subsidiary of the Company or to refuse to permit a subsidiary of the Company to become a managing agent or a service company or to

restrict in any way the ability of any subsidiary of the Company to carry on business as a managing agent or service company; or

- (d) such member and/or other person who has an interest in any shares held by such member is or is associated with (within the meaning of sections 11 and 12 Lloyd's Act 1982) a Lloyd's broker,

and if such information and evidence is not furnished within a reasonable period (not being less than 14 days) from the date of service of such notice or the information and evidence provided is, in the opinion of the Board, unsatisfactory for the purposes of so determining, the Board may (but shall not be obliged to) serve upon such member a further notice calling upon him, within 14 days after the service of such further notice, to furnish the Board with such information and evidence or further information or evidence as shall (in its opinion) enable the Board so to determine. If any such information or evidence is not furnished within either such period, the Board may, without prejudice to any other powers hereafter conferred on it, withhold, to the extent lawful, the payment of any amounts to which the holder of the relevant shares is entitled.

- (v) Any member who has pursuant to the Articles been served with a further notice by the Board requiring him to furnish the Board with information and evidence or further information or evidence within 14 days after the service of such further notice shall not, with effect from the expiration of such period and until the information or evidence is furnished to the satisfaction of the Board, be entitled to receive notice of, or to attend or vote at, any general meeting of the Company or meeting of the holders of shares of any class other than in respect of such of the shares held by such member as are shares in respect of which it shall have been established to the satisfaction of the Board that they are not shares in respect of which the Board may require a disposal pursuant to the provisions of the Articles.

- (vi) If the Board determines, whether pursuant to a notice from a person that he and/or any of his associates and/or any of his connected persons has acquired a Notifiable Holding or pursuant to information furnished in respect of a notice under the Articles or on any other basis that that person is a Controller and that person;

- (a) fails to make a notification in accordance with the Articles; or
- (b) fails to comply with any condition attaching to any approval granted by the Council of Lloyd's; or
- (c) receives a notice of objection from the Council of Lloyd's in relation to the acquisition or increase in Control over the Company

the Board shall be entitled, but not obliged, to decline to register any allotment or transfer in respect of the Notifiable Holding and/or (in respect of any Notifiable Holding which has been registered) to serve a Disposal Notice (as defined in the Articles) on that member.

- (vii) If the Board determines, whether pursuant to information or evidence furnished in response to a notice under the Articles or on any other basis, that there are reasonable grounds for anticipating that the Council of Lloyd's may or may be entitled to;

- (a) revoke, suspend or determine the membership of Lloyd's or the registration managing agent or service company or the registration as an insurance company of any subsidiary of the Company; or
- (b) refuse to permit any subsidiary of the Company to become a member of Lloyd's, a managing agent or a service company or an insurance company; or
- (c) restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd's, a managing agent, a service company or an insurance company by reason of the interest of a person in shares,

the Board shall be entitled, but shall not be obliged, to serve a written notice on the person and, if different on the holder or holders of such shares stating that it has so determined and specifying the grounds for that determination in general terms, referring to the cessation of voting rights pursuant to the Articles and/or calling for a disposal to be made of all such shares (or of such lesser number of shares as shall be specified in the notice) and in that event all the provisions of the Articles as to Mandated Disposals as shall be specified in the notice shall apply to such shares as if such notice were a Disposal Notice and the shares specified in the notice to be disposed of were Excess Shares.

(viii) The Disposal Notice shall set out:

- (a) the voting restrictions in the Articles;
- (b) the requirement for a Mandated Disposal to be made; and
- (c) the number of Excess Shares in respect of which the Mandated Disposal is to be made

and shall call for reasonable evidence that such Mandated Disposal shall have been effected to be supplied to the Company within 21 days from the date of the notice or such other period as the Board considers reasonable and which it may extend.

- (ix) The Board shall withdraw a Disposal Notice (whether before or after the expiration of the period referred to) if it appears to the Board that there is no Controller in relation to the shares concerned or if the Council of Lloyd's gives its consent to the holder of the relevant shares being a Controller.
- (x) If a Disposal Notice given under the Articles has not been complied with to the satisfaction of the Board and has not been withdrawn, the Board shall, so far as it is able, make a Mandated Disposal (or procure that a Mandated Disposal is made) on behalf of the persons concerned at the best price reasonably obtainable in all the circumstances and shall give written notice of such disposal to those persons on whom the Disposal Notice was served. The member concerned shall be deemed irrevocably and unconditionally to have authorised the Board to make the Mandated Disposal in accordance with the Articles.
- (xi) A Mandated Disposal shall be completed as soon as reasonably practicable after expiry of the Disposal Notice as may in the opinion of the Board be consistent with obtaining the best price reasonably obtainable and in any event within 30 days of expiry of such notice provided that a Mandated Disposal may be suspended by the Board during the period when dealings by the Board in the shares are not permitted either by law or by the AIM Rules or other regulations of the London Stock Exchange but any Mandated Disposal suspended as aforesaid shall be completed within 30 days after expiry of the period of such suspension and provided further that neither the Company nor the Board shall be liable to any holder or any person having an interest in any share or any other person for failing to obtain the best price so long as the Board act in good faith within the period specified below.
- (xii) After the giving of a Disposal Notice, no transfer of any of the Excess Shares may be registered until either the Disposal Notice is withdrawn or the Mandated Disposal has been made to the satisfaction of the Board and the transfer of the Excess Shares registered.
- (xiii) For the purposes of effecting any Mandated Disposal, the Board may authorise in writing an officer or employee of the Company to execute any necessary transfer on behalf of any member and may enter the name of the transferee or transferees in the register of members in respect of Excess Shares, notwithstanding the absence of any share certificate and may issue a new certificate to the transferee. The net proceeds of any Mandated Disposal made pursuant to the Articles shall be received by the Company, whose receipt shall be a good discharge for the purchase money and shall be paid (without any interest being payable thereon) upon surrender by him of any certificate in respect of the Excess Shares sold and formerly held by him.
- (xiv) If, on a Mandated Disposal being made by the Board, Excess Shares are held by more than one member the proportion of Excess Shares held by each member which the Board cause to be sold shall be at the discretion of the Board and need not be *pro rata* amongst the members.
- (xv) A member on whom a Disposal Notice has been served or deemed to have been served under the Articles shall not, in respect of the number of Excess Shares held by him and the subject of the Mandated Disposal, be entitled, with effect from the expiration of such period as the Board shall specify in such notice (not being longer than 30 days from the date of service of the notice), be entitled to receive notice of, or to attend or vote at, any general meeting of the Company or meeting of the members of any relevant class of shares.
- (xvi) Unless and until a Disposal Notice is served on a person in accordance with the Articles, the exercise by that person of any right attaching to any share in which he is interested shall not be challenged or invalidated by any subsequent determination by the Board that such person is a Controller.

(xvii) The Articles define the words and expressions set out below as follows:

“associate” shall have the meaning given to that word in FSMA;

“connected person” shall have the meaning given to that expression in the Membership Byelaw;

“Controller” means a Lloyd’s Controller and/or a FSMA Controller;

“Council of Lloyd’s” means the Council constituted by section 3 of the Lloyd’s Acts 1871-1982 and includes any person or delegate acting under its authority;

“Excess Shares” means the shares which are required by the Board to be disposed of under a Mandated Disposal to cause a Controller to cease to fall within the meaning of such term or to cease to have Notifiable Holding;

“FSMA Controller” means any person and/or any of his associates who acquires or increases his Control over the Company within the meaning given to the expression in sections 179 and 180 of FSMA;

“the Lloyd’s Acts” means Lloyd’s Acts 1871 – 1982;

“Lloyd’s broker” has the meaning given to that expression in the Membership Byelaw;

“Lloyd’s Controller” means a person who either alone or with any connected person or persons is a controller within the meaning given to that expression in the Membership Byelaw;

“Lloyd’s Notifiable Holding” means voting rights or shares which, if acquired by any person and/or any of his connected persons, will result in the acquisition of or increase in his control (as set out in the Membership Byelaw) of the Company;

“Mandated Disposal” means the sale and transfer of the Excess Shares so as to cause the Controller to cease to fall within the meaning of that term;

“Membership Byelaw” means Lloyd’s Membership Byelaw (No. 5 of 2005) (as amended or replaced from time to time);

“Notifiable Holding” means Lloyd’s Notifiable Holding; and

“service company” means companies permitted to do business in accordance with Lloyd’s regulations or otherwise established for the purpose of providing services (whether by way of acting as a coverholder, intermediary, administrator or otherwise), to a managing agent for and on behalf of one or more syndicates.

8 Directors’ and other interests

8.1 The interests of the Directors (all of which are also beneficial) and persons connected with them in the issued share capital of the Company as at 10 August 2007 (being the latest practicable business day prior to the date of this document) and following the Offer (assuming Minimum Subscription thereunder) such interests being those which could, with reasonable diligence, be ascertained by that Director, whether or not held through another party, were as follows:

	<i>Prior to the Offer</i>		<i>Following Admission and the Offer*</i>	
	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number</i>	<i>% of issued Shares</i>
Sir Michael Oliver	–	–	5,000	0.1
Andrew Leslie	–	–	–	–
Jeremy Evans	2	100	25,000	0.6
Michael Cunningham	–	–	20,000	0.5
Hampden Capital plc	–	–	1,000,000	25.0

*Assuming Minimum Subscription

8.2 None of the Directors or any members of their families hold any related financial product referenced to the Shares.

9 The City Code

The Company is currently subject to the provisions of the City Code and the Offer gives rise to certain considerations under the City Code. Brief details of the City Code and the protections it affords are described below.

The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The City Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Rule 9 of the City Code (“Rule 9”) stipulates, *inter alia*, that if (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or (b) any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested; such person will normally be required by the Panel to make a general offer to remaining shareholders of any class of equity share capital of such company. An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares in the company during the twelve months prior to the announcement of the offer.

For the purposes of the City Code, Hampden Capital plc and those of its directors intending to subscribe for Shares pursuant to the Offer (“the Concert Party”) are deemed to be acting in concert for the purposes of the Offer and on Admission. Following Admission and assuming Minimum Subscription, it is anticipated that the Concert Party, as a result of subscribing for Ordinary Shares pursuant to the Offer, may be interested in Ordinary Shares carrying 30% or more of the Company’s voting share capital but will not hold shares carrying more than 50% of such voting rights (ie up to 49.9%). The Panel has waived the obligation on the Concert Party to make a general offer under Rule 9 of the City Code as a result of the Offer and Admission but any further increase in the Concert Party’s aggregate interest in Shares through or between a Rule 9 threshold will be subject to the provisions of Rule 9 of the City Code. Further details concerning the Concert Party and their potential maximum interests are set out in the table below:

Concert Party	<i>Prior to the Offer</i>		<i>Potential maximum holding following the Offer*</i>	
	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number</i>	<i>% of issued Shares</i>
Sir Michael Oliver	–	–	5,000	0.1
Jeremy Evans	2	100	25,000	0.6
The Hon. David Brougham	–	–	75,000	1.9
Nigel Hanbury	–	–	155,000	3.9
Peter Nutting	–	–	90,000	2.2
Timothy Oliver	–	–	75,000	1.9
Nicholas Wentworth-Stanley	–	–	75,000	1.9
Hampden Capital plc	–	–	1,500,000	37.5
Total	2	100	2,000,000	49.9

*Assuming Minimum Subscription and that Hampden Capital plc subscribes for a maximum of 1,500,000 Shares and certain of the Hampden Capital plc directors subscribe for a total of 500,000 Shares. This represents the maximum potential holding of the Concert Party assuming Minimum Subscription.

In the event that the place of central management and control of the Company were to be determined by the Takeover Panel to no longer be within the UK (for example, as a result of a majority of the Company’s directors ceasing to be domiciled within the UK), the City Code will cease to apply to the Company and its shareholders would cease to be protected by the City Code.

A profile of Sir Michael Oliver is set out on page 25 of this document and profiles of Jeremy Evans and Nigel Hanbury are set on page 26 of this document. Information on the other members of the Concert Party is set out below:

Hampden Capital plc

Hampden Capital plc’s principal activity is the provision of services to private capital members of the Lloyd’s insurance market and others. For the year ended 31 December 2006, Hampden Capital plc recorded turnover of £14.6 million and profit for the financial year of £4.2 million.

The directors of Hampden Capital plc had the following interests in the issued share capital of Hampden Capital plc as at 31 December 2006:

	<i>Number of shares</i>	<i>Percentage shareholding</i>
Jeremy Evans	73,000	0.73%
Nigel Hanbury	4,396	0.04%
Nicholas Wentworth-Stanley	80,198	0.80%
Peter Nutting	133,792	1.34%
The Hon David Brougham	47,500	0.48%
	<hr/> 338,886 <hr/>	<hr/> 3.39% <hr/>

77.9% of Hampden Capital plc's issued share capital is owned by Hampden Holdings Limited. Timothy Oliver and The Hon David Brougham, as well as being directors of Hampden Capital plc, are also directors of Hampden Holdings Limited. 46.2% of the issued share capital of Hampden Holdings Limited is owned by Timothy Oliver (his family's total shareholding amounts to 59.99%) and 9.8% is held by the Hon. David Brougham. Hampden Holdings Limited is the holding company for a group of companies whose principal activities are the provision of insurance services, Lloyd's members' agency services and independent financial and taxation advice to individuals. For the year ended 31 December 2005, Hampden Holdings Limited recorded turnover of £22.3 million and profit for the financial year of £5.0 million. Hampden Holdings Limited is the ultimate parent company of Hampden Capital plc, Hampden Agencies Limited and Nomina.

Hampden Capital plc, through its wholly owned subsidiary Hampden Private Capital Limited, owns 100% of the issued share capital of Hampden Agencies plc and 99.3% of Nomina.

Peter Nutting, Nigel Hanbury, Jeremy Evans, Timothy Oliver, Nicholas Wentworth-Stanley are all directors of Hampden Agencies Limited. Jeremy Evans, Nigel Hanbury and Timothy Oliver are all directors of Nomina.

The Hon David Brougham

David Brougham has over 37 years' of UK and international banking experience. After working for Lloyd's Bank International and Mellon Bank Corporation he joined Standard Chartered Bank plc where he was an executive director from 1993 to 1998. He has also served as chairman of Chartered Trust plc and was on the board of Alliance & Leicester plc for a number of years until 2005.

Peter Nutting

Peter Nutting has been and is a director of a number of publicly listed and private companies. He was a member of the Council of Lloyd's between 1990 and 1998 and deputy chairman of the Lloyd's Regulatory Board from 1992 to 1995. He is a director of Hampden Capital plc and Hampden Agencies Limited.

Timothy Oliver

Timothy Oliver worked at Lloyd's with AB Dick-Cleland & Others from 1962 to 1967. He subsequently became assistant general manager at Incorporated General Assurances (Pty) Ltd of South Africa until 1971. In 1972 he returned to England and formed Marlow Underwriting Agency Limited and in 1979 he formed the Hampden group of companies, of which he is chairman.

Timothy Oliver is the brother of Sir Michael Oliver. He is a director of Hampden Holdings Limited, Hampden Capital plc, Hampden Agencies Limited and Nomina.

Nicholas Wentworth-Stanley

Nicholas is a director of Hampden Capital plc and Hampden Agencies Limited. He has over 25 years' experience in the Lloyd's insurance market, having previously been a director of Robert Fleming Nonmarine Limited, RW Sturge Limited, Donna Underwriting Agencies Limited and Falcon Agencies Limited. He also underwrites at Lloyd's via his own nameco.

10 Substantial shareholders

- 10.1 Other than as disclosed in paragraphs 8 and 9 above, the Company is not aware of any persons who have at the date of this document an interest in, or will be following Admission interested in, 3% or more of the issued Ordinary Share capital of the Company:
- 10.2 Save as disclosed in paragraphs 8, 9 and this paragraph 10, and in so far as the Company has the information, the Company is not aware of any person or persons who either alone or, if connected, jointly following the completion of the Offer, will (directly or indirectly) exercise or could exercise control over the Company.

- 10.3 The Company's Shareholders listed in paragraphs 8, 9 and this paragraph 10, do not have different voting rights to other holders of Shares.
- 10.4 The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

11 Additional Information on the Directors

- 11.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Sir Michael Oliver	Hill Samuel UK Emerging Companies Investment Trust plc The Museum of the Port of London and Docklands Limited Europa Oil & Gas (Holdings) plc Zirax plc Garbhaig Hydro Power Company Limited Hampden Capital plc The Bishopsgate Foundation The Central and (Eastern) European Fund Limited Goldstone Resources Limited European Growth Fund Limited Museum of London Icebreaker 1 LLP	German Smaller Companies Investment Trust plc Highland Light & Power Limited Olivers Wharf (Management) Limited The Euro Spain Fund Limited
Andrew Leslie	–	Arthur J. Gallagher (UK) Limited Nomina plc 6 Ennismore Gardens Limited
Michael Cunningham	Double Take Portraits Limited Forward Media Limited Health and Absence Limited Neilson Cobbold Holdings plc Nu Nu plc Rathbone Neilson Cobbold Limited	Cobbold Nominees Limited Permit Nominees Limited Rathbone Investment Management Limited Rathbone Unit Trust Management Limited Whittlesfield Nominees Limited Neilson Cobbold Client Nominees Limited

Jeremy Evans (see below)

Current Directorships:

Athena Underwriting (904) Limited, Balmain Underwriting (Nameco No. 382) Limited, Berkley Life Limited, Calenden Limited, Carmiburn Limited, Caroe Underwriting Limited, Carrick Capital (UK) Limited, Catbang 926 Limited, Coppergate Underwriting Limited, Dunbar Underwriting Limited, Dunn Underwriting Limited, Franicar Limited, Gordon Hawley Limited, Halder Underwriting Nameco 318 Limited, Hampden Agencies Limited, Hampden Capital Plc, Hampden Private Capital Limited, Hampden Tax Consultants Limited, Hyundai U.K. Underwriting Limited, Irish Hill Underwriting (Nameco No. 543) Limited, JF Willetts 529 Limited, Mead Underwriting Limited, MLIT (No. 1) Limited, MLIT (No. 2) Limited, MLIT (No. 3) Limited, MLIT (No. 4) Limited, MLIT (No. 5) Limited, MLIT (No. 6) Limited, MLIT (No. 7) Limited, Nameco (No. 2) Limited, Nameco (No. 3) Limited, Nameco (No. 4) Limited, Nameco (No. 5) Limited, Nameco (No. 6) Limited, Nameco (No. 7) Limited, Nameco (No. 8) Limited, Nameco (No. 9) Limited, Nameco (No. 10) Limited, Nameco (No. 11) Limited, Nameco (No. 12) Limited, Nameco (No. 13) Limited, Nameco (No. 14) Limited, Nameco (No. 15) Limited, Nameco (No. 16) Limited, Nameco (No. 17) Limited, Nameco (No. 18) Limited, Nameco (No. 19) Limited, Nameco (No. 20) Limited, Nameco (No. 21) Limited, Nameco (No. 22) Limited, Nameco (No. 23) Limited, Nameco (No. 24) Limited, Nameco (No. 25) Limited, Nameco (No. 26) Limited, Nameco (No. 27) Limited, Nameco (No. 28) Limited, Nameco (No. 29) Limited, Nameco (No. 30) Limited, Nameco (No. 31) Limited, Nameco (No. 32) Limited, Nameco (No. 33) Limited, Nameco (No. 34) Limited, Nameco (No. 35) Limited, Nameco (No. 36) Limited, Nameco (No. 37) Limited, Nameco (No. 38) Limited, Nameco (No. 39) Limited, Nameco (No. 40) Limited, Nameco (No. 41) Limited, Nameco (No. 42) Limited, Nameco (No. 43) Limited, Nameco (No. 44) Limited,

Nameco (No. 386) Limited, Nameco (No. 387) Limited, Nameco (No. 388) Limited, Nameco (No. 389) Limited, Nameco (No. 390) Limited, Nameco (No. 391) Limited, Nameco (No. 392) Limited, Nameco (No. 393) Limited, Nameco (No. 394) Limited, Nameco (No. 395) Limited, Nameco (No. 396) Limited, Nameco (No. 397) Limited, Nameco (No. 398) Limited, Nameco (No. 399) Limited, Nameco (No. 401) Limited, Nameco (No. 402) Limited, Nameco (No. 403) Limited, Nameco (No. 404) Limited, Nameco (No. 405) Limited, Nameco (No. 406) Limited, Nameco (No. 407) Limited, Nameco (No. 408) Limited, Nameco (No. 409) Limited, Nameco (No. 410) Limited, Nameco (No. 411) Limited, Nameco (No. 412) Limited, Nameco (No. 413) Limited, Nameco (No. 414) Limited, Nameco (No. 415) Limited, Nameco (No. 416) Limited, Nameco (No. 417) Limited, Nameco (No. 418) Limited, Nameco (No. 419) Limited, Nameco (No. 420) Limited, Nameco (No. 421) Limited, Nameco (No. 422) Limited, Nameco (No. 423) Limited, Nameco (No. 424) Limited, Nameco (No. 425) Limited, Nameco (No. 500) Limited, Nameco (No. 501) Limited, Nameco (No. 502) Limited, Nameco (No. 503) Limited, Nameco (No. 504) Limited, Nameco (No. 505) Limited, Nameco (No. 506) Limited, Nameco (No. 507) Limited, Nameco (No. 508) Limited, Nameco (No. 509) Limited, Nameco (No. 510) Limited, Nameco (No. 511) Limited, Nameco (No. 512) Limited, Nameco (No. 513) Limited, Nameco (No. 514) Limited, Nameco (No. 515) Limited, Nameco (No. 516) Limited, Nameco (No. 517) Limited, Nameco (No. 518) Limited, Nameco (No. 519) Limited, Nameco (No. 520) Limited, Nameco (No. 521) Limited, Nameco (No. 522) Limited, Nameco (No. 523) Limited, Nameco (No. 524) Limited, Nameco (No. 525) Limited, Nameco (No. 526) Limited, Nameco (No. 527) Limited, Nameco (No. 528) Limited, Nameco (No. 529) Limited, Nameco (No. 530) Limited, Nameco (No. 531) Limited, Nameco (No. 532) Limited, Nameco (No. 533) Limited, Nameco (No. 534) Limited, Nameco (No. 535) Limited, Nameco (No. 536) Limited, Nameco (No. 537) Limited, Nameco (No. 538) Limited, Nameco (No. 539) Limited, Nameco (No. 540) Limited, Nameco (No. 541) Limited, Nameco (No. 542) Limited, Nameco (No. 543) Limited, Nameco (No. 544) Limited, Nameco (No. 545) Limited, Nameco (No. 546) Limited, Nameco (No. 547) Limited, Nameco (No. 548) Limited, Nameco (No. 549) Limited, Nameco (No. 600) Limited, Nameco (No. 602) Limited, Nameco (No. 603) Limited, Nameco (No. 604) Limited, Nameco (No. 605) Limited, Nameco (No. 606) Limited, Nameco (No. 607) Limited, Nameco (No. 608) Limited, Nameco (No. 609) Limited, Nameco (No. 610) Limited, Nameco (No. 611) Limited, Nameco (No. 612) Limited, Nameco (No. 613) Limited, Nameco (No. 614) Limited, Nameco (No. 615) Limited, Nameco (No. 616) Limited, Nameco (No. 617) Limited, Nameco (No. 700) Limited, Nameco (No. 701) Limited, Nameco (No. 702) Limited, Nameco (No. 703) Limited, Nameco (No. 704) Limited, Nameco (No. 705) Limited, Nameco (No. 800) Limited, Nameco (No. 801) Limited, Nameco (No. 802) Limited, Nameco (No. 803) Limited, Nameco (No. 804) Limited, Nameco (No. 805) Limited, Nameco (No. 806) Limited, Nameco (No. 807) Limited, Nameco (No. 808) Limited, Nameco (No. 809) Limited, Nameco (No. 810) Limited, Nameco (No. 812) Limited, Nameco (No. 813) Limited, Nameco (No. 814) Limited, Nameco (No. 815) Limited, Nameco (No. 900) Limited, Nameco (No. 901) Limited, Nameco (No. 902) Limited, Nameco (No. 903) Limited, Athena Underwriting (904) Limited, Nameco (No. 905) Limited, Nameco (No. 906) Limited, Nameco (No. 907) Limited, Nameco (No. 908) Limited, Nameco (No. 909) Limited, Nameco (No. 910) Limited, Nameco (No. 911) Limited, Nameco (No. 913) Limited, Nameco (No. 914) Limited, Nameco (No. 915) Limited, Nameco (No. 916) Limited, Nameco (No. 917) Limited, Nameco (No. 921) Limited, Nameco (No. 922) Limited, Nameco (No. 924) Limited, Nameco (No. 925) Limited, Nameco (No. 927) Limited, Nameco (No. 928) Limited, Nameco (No. 929) Limited, Nameco (No. 930) Limited, Nameco (No. 931) Limited, Nameco (No. 932) Limited, Nameco (No. 933) Limited, Nomina Designated Member No. 1 Limited, Nomina Designated Member No. 2 Limited, Nomina PLC, Nomina Services Limited, North West Names Limited, Nottus (No. 51) Limited, PB Underwriting Limited, Pigs Snout Limited, Price Underwriting Limited, Sackville-West Underwriting Limited, Salix Investments Limited, The London Nominees Portfolio 2007 (UK) Limited, Two Churches (Underwriting) Limited, Westmoreland Underwriting Limited, Windford Company Limited

Past directorships:

Hampden Holdings Limited, Heritage Underwriting PLC, Lothbury Dedicated Limited, Nameco (No. 78) Limited, Nameco (No. 816) Limited, Nameco (No. 817) Limited, Nameco (No. 818) Limited, Nameco (No. 819) Limited, Nameco (No. 820) Limited, Nameco (No. 821) Limited, Nameco (No. 918) Limited, Nameco (No. 919) Limited, Nameco (No. 923) Limited,

Save as disclosed on page 27 of this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or other duties.

Hill Samuel UK Emerging Companies Investment Trust plc, a company of which Sir Michael Oliver is currently a director, went into voluntary liquidation on 8 December 2000. Sir Michael Oliver was a director of The Euro Spain Fund Limited until 2005, when this company went into voluntary liquidation.

11.2 Save as disclosed in paragraph 11.1 above, none of the Directors has:

- (a) any convictions in relation to fraudulent offences;

- (b) had been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any of their assets;
 - (c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
 - (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (e) been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (f) been subject to any official public incrimination and/or sanctioned by any statutory or regulatory authority (including recognised professional bodies); or
 - (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 11.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.
- 11.4 The Directors by virtue of their lock-in arrangements entered into at the date of Admission, would be considered to be acting in concert under the rules of The Takeover Code for the period ending 12 months from such Admission.

12 Directors' letters of appointment

- 12.1 On 9 August 2007, each of Sir Michael Oliver (the "Chairman"), Andrew Leslie, Jeremy Evans and Michael Cunningham (each a "Non-Executive Director" and together, the "Non-executive Directors") entered into a letter of appointment with the Company. The letters of appointment are for an initial period until the annual general meeting of the Company to be held in 2007 and then, subject to re-election, a further twelve months, conditional on and effective from Admission, and may be terminated on not less than 3 months notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by the Non-executive Director. The basic fee payable to the Chairman is £20,000 per annum and to the other Non-executive Directors is £15,000 per annum to be reviewed annually (without any obligation to increase the same). On termination each Non-executive Director is entitled to the lesser of 6 months' fees and the amount that he would have been paid for the remaining period under the letter.
- 12.2 The amounts payable to the Non-executive Directors by the Group under the arrangements in force at the date of this document in respect of the period ending 31 December 2007 are estimated to be approximately £27,000 (excluding any discretionary payments which may be made under these arrangements). No remuneration has been paid by the Company to the Directors up to the date of this document nor have any amounts been accrued by the Company to provide pension, retirement or similar benefits.

13 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document or will be entered into prior to Admission and are, or may be, material:

- 13.1 The Offer Agreement pursuant to which and conditional upon, *inter alia*, Admission taking place on or before 8.00am on 30 September 2007 Smith & Williamson has agreed to assist the Company in seeking Admission.

The Offer Agreement contains indemnities and warranties from the Company, the Directors and HAL in favour of Smith & Williamson together with provisions which enable Smith & Williamson to terminate the Offer Agreement in certain circumstances prior to Admission including circumstances where any warranties are not found to be true or accurate in any material respect. The liability of the warrantors for breach of warranty is limited. Under the Offer Agreement the Company has agreed to pay to Smith & Williamson (i) a fixed corporate finance fee of £125,000; (ii) a variable corporate finance fee of 1% of all gross

subscriptions in excess of £5,000,000; (iii) a commission of 5.25% of all gross subscriptions up to and including an aggregate of £15,000,000, plus 4.5% of all gross subscriptions over £15,000,000, save that such commission does not apply to gross subscriptions raised from Hampden Capital plc or clients of HAL. Certain commissions payable to independent financial advisers (as referred to in paragraph 2.14 of the Terms and Conditions) will be payable out of the commission payable pursuant to this paragraph (iii) to the extent that the subscriptions on which such commissions are based also give rise to commissions payable to Smith & Williamson under the Offer Agreement.

The Offer Agreement contains provisions whereby the Directors and HAL agree with the Company and Smith & Williamson not to dispose of any Shares held by them for a period of 12 months from the date of Admission except in limited circumstances permitted by the AIM Rules. The Offer Agreement also contains certain orderly market provisions which apply to the Directors for a period of 12 months after the initial lock-in period.

Further, Hampden Capital plc has also undertaken to meet the costs and expenses of the Offer to the extent that such costs and expenses would represent over 6% of the gross subscriptions. Gross subscriptions includes cash and value of Heritage Shares.

- 13.2 A Nominated Adviser and Broker Agreement dated 9 August 2007 made between (1) the Company and (2) Smith & Williamson pursuant to which the Company conditional upon Admission has appointed Smith & Williamson to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Smith & Williamson an annual fee of £35,000 plus VAT for its services as nominated adviser. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement is (save for circumstances of early termination) for a fixed term of 12 months and subject to termination (without cause) on 3 months' notice by either party thereafter;
- 13.3 A management agreement will be entered into prior to the 2007 auctions between (1) the Company, (2) Nomina and (3) HCM pursuant to which the Company will appoint Nomina to provide the Company and/or HCM with management and administration, financial, tax and accounting services. The Company will pay Nomina an annual fee of £10,000 plus VAT for its services. The agreement will contain certain undertakings and indemnities given by (1) the Company, (2) Nomina and (3) HCM in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement will be for a fixed term until the end of 2007 year of account and shall automatically be extended for additional 1 year periods thereafter but will be subject to termination on 6 months notice by either party;
- 13.4 A Members' Agents' agreement will be entered into prior to the 2007 auctions between (1) HCM and (2) Hampden Agencies Limited pursuant to which HCM will appoint HAL to act as its Members' Agent for the 2007 year of account. The agreement will be in the form prescribed by Lloyd's Byelaws and will authorise HAL, *inter alia*, to allocate the overall premium limit among the syndicates agreed upon by HCM and to do all acts and things and execute all documents necessary to exercise HCM's rights in relation to such a syndicate. HAL will undertake to provide advice on syndicate participation, review and report on the performance of the syndicating in which HCM participates, operate the trust funds, advise HCM on prudent levels of reserves, advise HCM on other Lloyd's insurance related investments and products, and assist HCM on compliance with all byelaws, regulations and codes relating to HCM's participation in Lloyd's.

Under the agreement, HCM will pay HAL 1% of capacity (capped at £250,000) and a profit commission on a sliding scale from 1% of net profit up to a maximum of 10%). The agreement will apply to 2007 and subsequent years until terminated. HCM will be required to inform HAL before 30 September of the year before the relevant year of account if it does not intend to engage HAL for the next year. HAL will be able to terminate by giving notice to HCM by 31 May in any year to expire at the end of that year. HAL will be able to terminate with not less than 48 hours' notice in writing if, *inter alia*, HCM fails to make certain payments of funds.
- 13.5 A company secretarial agreement will be entered into prior to Admission between (1) the Company and (2) Hampden Legal plc pursuant to which the Company will appoint Hampden Legal plc to provide the Company with company secretarial services. The Company will pay Hampden Legal plc an annual fee of £38,000 plus VAT. The agreement will be for a fixed term of 1 year and shall automatically be extended for additional 1 year periods thereafter but will be subject to termination (without cause) on 6 months notice by either party.

14 Related party transactions

The Company has not entered into any related party transactions during the period of the historical financial information or up to the date of this document.

15 Working capital

15.1 *Working capital statement under the Prospectus Rules*

It is the opinion of the Company that, after taking into account the net proceeds of the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

15.2 *Working capital statement under the AIM Rules*

For the purposes of the AIM Rules, the Directors confirm that in their opinion, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

16 Taxation

16.1 *Corporate Taxation*

(a) *UK Corporate Tax*

Hampden Underwriting plc and its subsidiary (the corporate member) will be liable to Corporation Tax on income (other than dividend income received from other UK resident companies unless the shares are held as part of the corporate members FAL) and gains after deducting allowable trading expenses. The current rate of taxation is between 19% and 30%, depending on the level of taxable profits and the number of companies under worldwide control. The 2007 budget contains measures to change these rates to between 20 and 30% for the year to March 2008, between 21 per cent. and 29% for the year ended March 2009 and between 22% and 28% for subsequent years. Trading losses incurred in an accounting period can either be surrendered as group relief to other companies within the same accounting period or carried forward to be offset against future taxable income or carried back against the previous year's taxable income.

Under specific tax legislation, the corporate member's share of a syndicate's profits or losses will be assessable in the year the result is declared, other income and expenses will be assessable in the normal way.

(b) *Overseas Corporate Taxation*

Corporate members will normally incur liability for tax in the United States and will be subject to US tax on income from their US connected business (i.e. underwriting profits and losses arising from direct insurance and reinsurance premiums placed through a US broker, as well as that portion of the appropriate US Trust Fund investment income attributable to such premiums). The timing of the payment of US tax may not be synchronised with the receipt of the profits to which the tax relates.

Similarly a Canadian tax liability may arise on a corporate member in respect of any Canadian business coming into a syndicate in which it participates via binding authority agreements, together with an appropriate proportion of the investment income and gains arising in the Lloyd's Canadian Trust Fund.

Corporate members may also incur liabilities for foreign taxes on their overseas premium income in other jurisdictions.

Credit against UK Corporation Tax liability should generally be available in respect of any foreign taxation suffered to the extent that such credits can be offset against the UK Corporation Tax in respect of the relevant profits in the relevant accounting period in the United Kingdom.

Any overseas tax due will be funded by syndicates on behalf of their members. The tax funded by syndicates will be collected by Lloyd's from corporate members.

16.2 *Shareholder taxation*

The following information is intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of HM Revenue & Customs ("HMRC") and may not apply to certain

classes of shareholders, such as dealers in securities, or to shareholders who are not absolute beneficial owners of their Shares. Any person who is in any doubt as to their tax position, or is subject to tax in any tax jurisdiction other than the UK, should consult their professional adviser without delay.

(a) *Dividends*

Under current UK tax legislation no tax is withheld from dividends paid by the Company.

UK tax resident individual shareholders will be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. The tax credit therefore equals 10% of the combined amount of the dividend and the tax credit. Liability to UK income tax is calculated on the sum of the dividend and the tax credit. The tax credit will satisfy a UK tax resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK tax resident individual shareholders who are subject to tax at the higher rate will have to account for additional income tax. The special rate of income tax set for higher rate taxpayers who receive dividends is 32.5%. After taking account of the 10% tax credit, such taxpayers would have to account for additional income tax of 22.5% on the amount of the dividend and tax credit.

In determining what tax rates apply to a UK tax resident individual shareholder, dividend income is treated as the top slice of income.

A shareholder who is liable to income tax on the dividend (or any part of it) is not able to claim repayment of the tax credit (or part of it) in cash from HMRC.

A UK resident corporate shareholder (including authorised unit trusts and open ended investment companies) and pension funds will generally not be liable to UK corporation tax on any dividend received and will not be entitled to payment in cash of a tax credit.

Shareholders not resident (for tax purposes) in the UK are generally not taxed in the UK on dividends received by them but may be subject to foreign tax on the dividend received. The entitlement of such shareholders to claim repayment of any part of a tax credit will depend, in general, on the existence and terms of any double tax convention between the UK and the country in which the shareholder is resident. A shareholder not resident for tax purposes in the UK may be subject to foreign tax on the dividend received. Shareholders who are not resident in the UK should consult their own tax advisers on the possible applicability of double tax treaties, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(b) *UK taxation of chargeable gains*

A subsequent disposal of the shares depending on individual circumstances may give rise to a liability to taxation on chargeable gains. For individual investors, taper relief will reduce the amount of the gain arising on the disposal of the asset, the longer such asset is held. Further, an individual investor will not have a liability if the chargeable gain (as reduced by applicable taper relief) when aggregated with other realised chargeable gains in the relevant year of assessment, does not exceed the capital gains annual exemption.

Shareholders within the charge to UK corporation tax will generally, for the purposes of calculating chargeable gains but not losses, be entitled to claim an indexation allowance based on the amounts paid for their shares. In some cases chargeable gains may be exempt if certain requirements are met.

A Shareholder who is not resident (nor, in the case of an individual, ordinarily resident) in the UK for tax purposes will not normally be liable to UK tax on capital gains on any disposal of Shares in the Company unless that Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the disposal is connected with that activity.

(c) *Inheritance Tax*

For the purposes of UK Inheritance Tax, the new Ordinary shares will constitute property situated in the UK. Individuals and trustees, wherever resident, may be liable to Inheritance Tax in respect of shares gifted during the lifetime or on the death of an individual and on certain occasions in relation to settled property. The Company intends to undertake qualifying trading activities, or be the holding company of a qualifying trading group, for the purposes of Business Property Relief ("BPR"). Provided a Shareholder has owned shares in a qualifying unquoted trading company or the holding company of a qualifying trading group for at least two years and certain conditions are met at the time of the transfer, 100% BPR should be available, which reduces the inheritance tax liability on a

chargeable transfer to nil. BPR may be clawed back if the donor dies within seven years of the transfer and the shares do not qualify for BPR in the hands of the donee at the time of the donor's death.

(d) *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No liability to stamp duty or SDRT will arise on the New Shares pursuant to the Offer described in this document. The Company will not be responsible for payment of stamp duty or SDRT in any such case.

Any transfer of Shares in the Company will generally be subject to ad valorem stamp duty on the instrument of transfer or (if unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax usually at the rate of 0.5% on the value of consideration for the relevant transfer. Liability to pay any stamp duty reserve tax or stamp duty at the rate of 0.5% is generally that of the purchaser. Any duty payable is rounded up to the nearest £5.

Special rules in connection with stamp duty and stamp duty reserve tax apply to market makers, broker dealers and certain only persons.

(e) UK resident shareholders who exchange their Heritage Shares for Shares will be subject to capital gain tax on any gains made. Any gain that does arise can be reduced by Indexation Allowance Business Taper Relief and the Individuals annual capital gain tax allowance. The availability of the allowances and relief will depend on individual circumstances.

(f) *Business Asset Taper Relief*

On the basis that the company is a trading company or the holding company of a trading group, shareholdings in the Company should benefit from Business Asset Taper Relief, provided the shares have been held for a period of no less than two years. This reduces the effective capital gains tax rate on disposal for higher rate taxpayers to 10%.

(g) *Self Invested Personal Pensions ("SIPPs")*

An investment in the Company should be allowed by SIPPs, subject to the SIPP provider. Investors seeking to invest through a SIPP are strongly advised to seek their own independent advice.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

17 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings in which any Group company is involved or of which any Group company is aware, pending or threatened by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position.

18 General

- 18.1 There has been no significant change in the trading or financial position of the Group since 30 June 2007, the date to which the accountants' report has been prepared.
- 18.2 It is estimated that, assuming Maximum Subscription, the total expenses payable by the Company in connection with the Offer (including those fees and commissions referred to in paragraph 13.1) payable by the Company are estimated to amount to approximately £0.85 million (including VAT). Assuming Maximum Subscription, the net proceeds of the Offer (including the value of Heritage Shares) are estimated to be approximately £14.15 million.
- 18.3 CLB Littlejohn Frazer have given and not withdrawn their written consent to the inclusion in this document of their report set out in Part III of this document and their letter set out therein and the references thereto and to their name in the form and context in which they appear.
- 18.4 Smith & Williamson has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.

- 18.5 Smith & Williamson is registered in England and Wales under number 4533970 and its registered office is at 25 Moorgate, London, EC2R 6AY.
- 18.6 The financial information set out in this document relating to the Company does not constitute statutory accounts within the meaning of section 240 of the Act.
- 18.7 CLB Littlejohn Fraser, who are a member of the Institute of Chartered Accountants in England and Wales, and whose registered office is 1 Park Place, Canary Wharf, London E1 4 4HJ have been the auditors of the Company since incorporation.
- 18.8 The information contained in the table on pages 4 and 22 of this document has been based on figures published by Lloyd's and HAL and compiled by HAL. The Directors confirm that it has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from information published by Lloyd's and HAL, no facts have been omitted which would render the information in the table on pages 4 and 22 inaccurate or misleading.
- 18.9 HAL is domiciled, incorporated and registered in England and Wales under number 02970319 and its registered office is at 85 Gracechurch Street, London, EC3V 0AA (tel: 020 7863 6500). It was incorporated as a limited liability company on 21 September 1994.
- 18.10 Nomina plc is registered in England and Wales under number 03382553 and its registered office is at 85 Gracechurch Street, London EC3V 0AA.
- 18.11 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of material importance to the Group's business or profitability.
- 18.12 Save as set out in this document as far as the Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.
- 18.13 Save as disclosed in this document the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the board has made a firm commitment.
- 18.14 The Company is subject to the rules of The City Code. The Company is not aware of the existence of any takeover bid pursuant to the rules of The City Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Shares.
- 18.15 The gross subscriptions under the Offer (including the value of Heritage Shares) will be £15.0 million (assuming Maximum Subscription) which will be applied in the following order of priority:
- | | |
|--|---------------|
| (a) estimated commissions and expenses payable under the Offer | £0.85 million |
| (b) investing in syndicates and other investments | £14.0 million |
| (c) working capital | £0.15 million |
- The proceeds of the Offer are sufficient to fund all of the proposed uses stated above accordingly there are no amounts to be provided in respect of the matters mentioned above otherwise than out of the Offer or from the Company's existing resources.
- 18.16 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- received, directly or indirectly from the Group within the 12 months preceding the date of this document; or
 - entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group on or after Admission any of the following: (i) fees totaling £10,000 or more; (ii) securities of the Company where these have a value of £10,000 or more calculated by reference to the Offer Price; or (iii) any other benefit with the value of £10,000 or more at the date of this document.
- 18.17 The Company does not currently have any borrowing requirements, but may choose to borrow funds in the future if the Directors consider it appropriate. As at the date of this document, the Company has no guaranteed, unguaranteed, secured or unsecured indebtedness and no indirect or contingent indebtedness.

- 18.18 The investment objectives and policy of the Company may be varied by the Board although any such variations which would result in a fundamental change in the Company's business would only be made with Shareholder approval.
- 18.19 The Company will not be regulated by a particular regulatory authority although HCM will be regulated by Lloyd's and the FSA. HAL is regulated by Lloyd's and the FSA.
- 18.20 The Offer is designed for private investors (including existing clients of HAL) and investment funds who wish to gain or increase their exposure to the Lloyd's insurance market through a limited liability investment quoted on AIM.
- 18.21 The Company has not traded to date and has no material assets or liabilities. The effect of the Offer will be to increase the Company's net assets by an estimated £14.15 million (assuming Maximum Subscription) of cash and potentially shares in Heritage (up to a maximum of 20% of total net assets including any such shares, based on the closing market bid price of Heritage Shares on the last business day preceding the date of allotment of the relevant shares).
- 18.22 The Group will publish 6 monthly interim accounts and annual accounts which will include the net asset value of the Group. As at the date of this document, the Directors do not envisage any circumstances in which the publication of such accounts would be suspended.

19 Documents available for inspection

Copies of the following documents may be inspected at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ during normal business hours on any weekday (excluding Saturdays and public holidays) for the duration of the Offer:

- 19.1 the Memorandum and Articles of Association of the Company;
- 19.2 the report of CLB Littlejohn Frazer contained in Part III of this document;
- 19.3 the written consents referred to in paragraphs 18.3 and 18.4 of this Part V;
- 19.4 the letters of appointment referred to in paragraph 12.1 above; and
- 19.5 this document.

20 Availability of Admission Document

Copies of this document will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY.

Dated 13 August 2007

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act” or “Companies Act”	the Companies Act 1985, as amended
“Admission”	admission of any of the issued and to be issued Shares to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Document”	this document, which comprises a prospectus for the purposes of the Prospectus Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission to, and operation of, AIM
“Applicant”	a person who make an application
“Application”	an application for Offer Shares
“Application Form”	the application form for Offer Shares in the form accompanying this document
“Articles”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Capita Registrars”	a trading name of Capita IRG Plc
“Company” or “Hampden Underwriting”	Hampden Underwriting plc, a company incorporated in England and Wales with registered number 5892671
“Concert Party”	those persons assumed to be acting in concert for the purposes of the Offer and Admission and whose names are set out in paragraph 9 of Part V of this document
“CREST”	the computerised settlement to facilitate the transfer of title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
“Directors”	the directors of the Company whose names are set out on page 20 of this document
“FSA”	Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiary undertaking, HCM
“Hampden Agencies Limited” or “HAL”	Hampden Agencies Limited, the Company’s Members’ Agent
“Hampden Corporate Member” or “HCM”	Hampden Corporate Member Limited, a wholly owned subsidiary of Hampden Underwriting
“Heritage”	Heritage Underwriting Agency plc, a company incorporated and registered in England and Wales under registration number 3741768
“Heritage Shares”	ordinary shares of 10p each in the capital of Heritage
“London Stock Exchange”	London Stock Exchange plc

“Maximum Subscription”	the maximum aggregate subscription in cash and Heritage Shares under the Offer, which is for 15,000,000 Shares or such greater figure as the Directors, subject to the consent of Smith & Williamson, may decide
“Minimum Subscription”	the minimum aggregate subscription in cash under the Offer, which is for 4,000,000 Shares
“Nomina”	Nomina plc
“Official List”	the Official List of the UKLA
“Offer”	the conditional offer of the Offer Shares pursuant to the terms and conditions set out in this document and the accompanying Application Form
“Offer Agreement”	the conditional agreement dated 9 August 2007 between the Company, HAL, Smith & Williamson and the Directors relating to the Offer, a summary of the principal terms and conditions of which is set out in paragraph 13.1 of Part V of this document
“Offer Price”	£1 per Offer Share
“Offer Shares”	up to 15,000,000 new Shares (assuming Maximum Subscription) to be issued by the Company pursuant to the Offer
“Prospectus Rules”	the Prospectus Rules made under Section 84 of FSMA
“Receiving Agent”	Capita Registrars
“Redeemable Preference Shares”	the redeemable preference shares of £1 each in the Company, subject to the rights set out in the articles of association
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“Shareholder”	a holder of Shares
“Shares”	ordinary shares of 10p each in the capital of the Company
“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	have the meanings respectively ascribed to them by the Companies Act
“Terms and Conditions”	the terms and conditions of the Offer as set out on pages 63 to 72 of this document
“Takeover Code” or “City Code”	The City Code on Takeovers and Mergers
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	United Kingdom Generally Accepted Accounting Practice
“UKLA”	United Kingdom Listing Authority
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST

GLOSSARY OF TECHNICAL TERMS

“annual venture basis”	the manner in which a group of members come together, form a syndicate and underwrite insurance business for a particular year of account
“capacity”	in relation to a member is the maximum amount of insurance premium income (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, “capacity” is the aggregate of each member’s capacity allocated to that syndicate
“controller”	the meaning given in section 244 of FSMA
“corporate member”	a member of Lloyd’s which is a body corporate (including for the avoidance of doubt a limited liability partnership) or a Scottish Limited Partnership
“Council”	the Council of Lloyd’s established by the Lloyd’s Act of 1982 and any person or delegate acting under its authority. The Council has the management and superintendence of the affairs of Lloyd’s and the power to regulate and direct the business of Lloyd’s
“Equitas”	Equitas Reinsurance Limited, the entity into which 1992 and prior liabilities have been reinsured
“franchise”	the arrangements that permit Managing Agents and members to conduct business in the Lloyd’s market and benefit from the Lloyd’s brand, a common rating, mutual security and licences to conduct business around the world
“Franchise Performance Directorate” or “FPD”	the board established by the Council, which is responsible for managing the franchise
“funds at Lloyd’s” or “FAL”	funds held in trust by Lloyd’s as security for Lloyd’s policyholders and to support a member’s underwriting activities
“hard market”	an insurance or reinsurance market in which premiums and terms and conditions have improved or are improving from the point of view of the insurer or reinsurer
“insurance”	includes reinsurance (unless the context requires otherwise)
“Lloyd’s”	the Society incorporated by Lloyd’s Act 1871 by the name of Lloyd’s
“Managing Agent” or “Managing Agency”	a company permitted by Lloyd’s to manage the underwriting activities of a syndicate
“member”	a member of Lloyd’s
“Members’ Agent”	the agent contracted by a member to provide advice in relation to underwriting as a member of syndicates at Lloyd’s under the Members’ Agent’s Agreement
“Members’ Agent Agreement”	the form of agreement between a member and a Members’ Agent set out in Schedule 1 to the Agency Agreements Byelaw (No.8 of 1988)

“Membership Byelaw”	means Lloyd’s Membership Byelaw (No. 5 of 2005) (as amended or replaced from time to time)
“Name”	a member of Lloyd’s who is an individual
“New Central Fund”	the fund constituted and governed by the New Central Fund Byelaw (No. 23) of 1996
“premium income”	insurance premium income (gross of reinsurance but net of brokerage)
“Premiums Trust Fund”	a trust fund into which all premiums received by a managing agent on behalf of a member must be placed and out of which reinsurance premiums, claims and syndicate expenses are met
“reinsurance to close” or “RITC”	an agreement under which persons (the “reinsured members”) who are members of a syndicate for a year of account (the “closed year”) agree with members who constitute that or another single syndicate for a later year of account (the “reinsuring members”) that the reinsuring members will discharge or procure the discharge of, or indemnify the reinsured members against, all known and unknown liabilities of the reinsured members arising out of insurance business underwritten through that syndicate and allocated to the closed year of account, in consideration of a premium
“soft market”	an insurance or reinsurance market in which premiums and terms and conditions have deteriorated or are deteriorating from the point of view of the insurer or reinsurer
“syndicate”	a group of members or a single corporate member underwriting insurance business at Lloyd’s through the agency of a Managing Agent to which a particular syndicate number is assigned by or with the authority of the Council
“year of account”	the year of account at Lloyd’s commencing 1 January and ending 31 December in each year to which a risk is allocated and to which all premiums and claims in respect of that risk are attributed. A syndicate’s year of account is normally kept open for 36 months (i.e. 24 months after the end of the year of account) before being closed by a reinsurance to close process

TERMS AND CONDITIONS OF THE OFFER

1 DETAILS OF THE OFFER

1.1 The Offer

The Offer is being made by the Company.

1.2 Minimum and Maximum Subscription

Up to 15,000,000 Offer Shares are being offered to the public in the United Kingdom (and in no other jurisdiction) at the Offer Price under the Offer.

The Offer is conditional on achieving the Minimum Subscription by 30 August 2007.

The basis of allocation and the allotment of the Offer Shares will be at the absolute discretion of the Directors, who reserve the right to reject, in whole or in part, or to scale down, any Application (and in particular (but without limitation) multiple or suspected multiple Applications) and to present any cheques or banker's drafts for payment on receipt. Without limiting the foregoing whatsoever, if the Offer is oversubscribed, an Application may be accepted for a lesser amount (in respect of the cash and/or Heritage Share element at the absolute discretion of the Directors) than the number of Offer Shares actually applied for with the balance of the cash amount paid by the Applicant being returned (without interest) by crossed cheque in the name of the Applicant through the post at the risk of the Applicant and/or balance of Heritage Shares being returned in accordance with paragraphs 3.5 (a) and (b) of these Terms and Conditions.

An Applicant may subscribe for any whole number of Offer Shares as he or she may wish subject to the maximum number of Offer Shares being offered pursuant to the Offer.

1.3 Settlement and Dealings

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that the Offer Shares will be admitted to trading on AIM on no later than the third business day following the date of allotment.

The Offer Shares will rank *pari passu* amongst themselves and with the existing Shares for all dividends and other distributions which may be declared, paid or made on the Shares by the Company after the date of this document. It is intended that the definitive share certificates will be posted to successful Applicants within 10 business days of the date of Admission. Prior to dispatch of definitive share certificates, any transfers of Offer Shares will be certified against the register of members. No temporary documents of title will be issued.

Successful Applicants will be notified of the number of Offer Shares issued and allotted to them pursuant to the Offer by receipt of their respective share certificate(s). Dealings in the Offer Shares may commence prior to such notification but only if the Offer Shares in question have been admitted to trading on AIM.

The Company will apply for the Shares to be admitted to CREST. It is expected that the Shares will be so admitted, and eligible for settlement in CREST, from the date of Admission. Accordingly, successful Applicants who wish to take advantage of the ability to trade their Offer Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST sponsor to convert their holdings into "dematerialised" form once their Offer Shares have been issued and allotted to them in certificated form.

1.4 Cash and Heritage Share subscriptions

(a) *Cash subscriptions*

An Applicant may apply to subscribe for Offer Shares in cash at the Offer Price, under the Terms and Conditions. The minimum investment in cash per Applicant is £3,000, save where the Board in its absolute discretion determines otherwise.

(b) *Heritage Share subscriptions*

- (i) An Applicant may, subject to paragraphs 1.4(b)(iii) and (iv) below, apply to subscribe under the Terms and Conditions for Offer Shares by tendering Heritage Shares on the basis set out in paragraph 1.4(b)(ii) below.
- (ii) Successful Applicants subscribing for Shares in cash may also exchange their Heritage Shares for Shares on the basis of 1 Share for every £1 of Assumed Value (“Assumed Value” being the closing market bid price of the Heritage Shares being exchanged on the last business day preceding allotment of the relevant Share(s)).
- (iii) In respect of each Applicant, the maximum number of Heritage Shares which an Applicant can tender (save where the Board in its absolute discretion determines otherwise) shall be the number of Offer Shares subscribed for in cash by such Applicant and the minimum number is 500.
- (iv) The aggregate maximum Assumed Value of Heritage Shares which can be successfully tendered by Applicants pursuant to the Offer shall be 20% of the total amount subscribed under the Offer net of expenses.

1.5 Any Application Form received in an envelope postmarked in the United States, Canada, Australia, Japan or the Republic of South Africa or any other jurisdiction outside the United Kingdom or otherwise appearing to the Company or its agents to have been sent from any of those jurisdictions may be rejected as an invalid Application. For further information on overseas Applicants, see paragraph 2.10 of these Terms and Conditions.

2 GENERAL TERMS

- 2.1 Save where the context otherwise requires, words and expressions defined in this Admission Document have the same meanings when used in the Application Form and explanatory notes in relation thereto. The section headed “Application Procedure” forms part of these terms and conditions of application.
- 2.2 The contract created by the acceptance of an Application under the Offer will be conditional on:
 - (a) Admission becoming effective; and
 - (b) the Offer Agreement becoming or being declared unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective.
- 2.3 The right is reserved by the Company to present all cheques and bankers’ drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful Applicants’ cheques and bankers’ drafts.
- 2.4 The Company may at its discretion treat Applications as valid and binding even if not made in all respects in accordance with the Terms and Conditions and Application Form and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer.
- 2.5 By completing and delivering an Application Form, you (the Applicant):
 - (a) offer to subscribe in cash for the number of Shares equal to the amount specified in Box 2 of your Application Form; and

- (b) if and to the extent that you hold Heritage Shares and complete Box 3, Box 5 and Box 6 (for Applicants making Applications through independent financial advisers (“IFAs”), these will be Box 5, Box 6 and Box 7) of the Application Form, offer to subscribe for the number of Shares equal to the number of Heritage Shares tendered, set out in Box 5 (Box 6 for Applicants making Applications through IFAs) of the Application Form multiplied by the Assumed Value and then divided by the Offer Price (rounded down to the nearest whole Share);

in each case on the terms of this Admission Document and the Application Form and subject to the Memorandum and Articles of Association of the Company;

- (c) agree, in consideration of the Company agreeing that it will not on or prior to the closing date of the Offer, issue, allot or offer any Shares to any person other than by means of the procedures referred to in this Admission Document, that your application may not (save for any statutory withdrawal rights) be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon dispatch by post or by delivery by hand of your Application Form to the Receiving Agent;
- (d) agree and warrant that your cheque or banker’s draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the Shares until you make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Smith & Williamson, and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment in respect of such shares, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such Shares and may issue or allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker’s draft accompanying your Application, without interest;
- (e) agree that, in respect of those Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereto to the Receiving Agent;
- (f) agree that any monies refundable to you may be retained by the Receiving Agent pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2003 and that such monies will not bear interest;
- (g) authorise the Company and/or the Receiving Agent to send share certificate(s) in respect of the number of Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such Shares;
- (h) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company or Smith & Williamson to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
- (i) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in the Admission Document and accordingly you agree that no person responsible solely or jointly for this document, the Admission Document or any part thereof or involved in the preparation thereof shall have any liability for such information or representation;
- (j) irrevocably authorise the Company and/or Smith & Williamson or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representative of the

Company or Smith & Williamson to execute any document required in connection therewith and shall constitute the separate irrevocable appointment of any director of the Company and/or Smith & Williamson as his attorney and agent with authority to execute on your behalf all such further documents (if any) as may be required to give effect to such Applications or acceptances;

- (k) warrant that any Heritage Shares which are tendered are fully paid up and are tendered free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto now or hereafter including, without limitation, voting rights and the right to all dividends and other distributions declared;
- (l) subject to the Offer becoming or being declared by the Company unconditional and to the Heritage Share element of your Application being accepted in whole or in part in accordance with the Terms and Conditions, and you not having validly withdrawn the Application:
 - (i) irrevocably appoint the Company and/or Smith & Williamson and their respective directors and agents jointly and severally as your attorney and/or agent (the “attorney”), and give an irrevocable instruction to the attorney who has the authority to complete and execute on your behalf all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in favour of the Company or such other person or persons as the Company or its agents may direct in relation to those Heritage Shares in respect of which a valid Application has been made and accepted and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney together with the share certificate(s) and/or other document(s) of title relating to such Heritage Shares for registration and to do all such other acts and things as may in the opinion of the attorney be necessary or expedient for the purposes of, or in connection with, the transfer of the Heritage Shares and to vest in the Company or its nominee(s) the Heritage Shares as aforesaid;
 - (ii) irrevocably appoint the Receiving Agent as your Escrow Agent and irrevocably instruct and authorise the Escrow Agent, (a) to transfer to itself (or to such other person or persons as the Company or its agent(s) may direct), by means of CREST, all or any of the Relevant Heritage Shares (but not exceeding the number of Heritage Shares in respect of which an Application has been validly made and accepted) or (b) if the Offer does not become or is not declared unconditional and/or to the extent the Heritage Share element of an Application is not accepted, to give instructions to CREST to take all steps necessary to transfer all Relevant Heritage Shares to the original available balance of the accepting Applicant. “Relevant Heritage Shares” means Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected in accordance with the Terms and Conditions;
 - (iii) irrevocably authorise and request Heritage or its agents to procure the registration of the transfer of the Heritage Shares in certificated form pursuant to the Offer and the delivery of the share certificate(s) and/or documents(s) of title in respect thereof to the Company or as it may direct;
 - (iv) agree that if, for any reason, any Heritage Shares in respect of which a transfer to an escrow balance has been effected are converted to certificated form, you will immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Heritage Shares as are so converted to the Receiving Agent or to the Company at its registered office or as the Company or its agents may direct; and
 - (v) agree that you shall do all such acts and things as in the opinion of the Company and/or Receiving Agent shall be reasonably necessary or expedient to vest in the Company or its nominee(s) Heritage Shares as aforesaid and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its function as Escrow Agent for the purposes of the Offer;
- (m) agree that if any provision of paragraph 2.6(l) of these Terms and Conditions shall be unenforceable or invalid or shall not operate so as to afford the Company and/or Smith & Williamson or any of their respective directors the benefit of the authorities and powers of attorney expressed to be given therein, you shall with all practicable speed do all such acts

and things and execute all such documents as may be required or desirable to enable the Company, Smith & Williamson and/or any of their respective directors or agents to secure the full benefits of the same.

- (n) agree that, having had the opportunity to read the Admission Document, you shall be deemed to have had notice of all information and statements concerning the Company and the Shares contained therein;
 - (o) confirm that you have reviewed the restrictions contained in paragraph 2.10 below and warrant that you are not a “US Person” as defined in the United States Securities Act of 1933 (“Securities Act”) (as amended), nor a person who is a resident or citizen of or located in Canada, Australia, Japan or the Republic of South Africa and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of or citizen of or located in Canada, Australia, Japan or the Republic of South Africa;
 - (p) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company, the Receiving Agent or Smith & Williamson acting in breach of the regulatory or legal requirements of any territory in connection with the Offers or your Application, (nor will acceptance of your Application result in any of the same);
 - (q) warrant that you are an individual aged 18 or over;
 - (r) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at the risk of the person entitled thereto;
 - (s) agree, on request by the Company, or Smith & Williamson on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or Smith & Williamson may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2003 and authorise the Company and Smith & Williamson to disclose any information relating to your Application as it considers appropriate;
 - (t) agree that Smith & Williamson will not treat you as its customer by virtue of your application being accepted or owe you any duties or responsibilities concerning the price of the Shares or the suitability for you of Shares or be responsible to you for providing the protections afforded to its customers;
 - (u) declare that the Application Form has been completed to the best of your knowledge and is accurate;
 - (v) undertake that you will notify the Company if you are not or cease to be beneficially entitled to the Shares;
 - (w) agree that the Application Form should, where signed as a deed, take effect as a deed; and
 - (x) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form.
- 2.6 The rights and remedies of the Company and Smith & Williamson under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
- 2.7 The dates and times referred to in these Terms and Conditions may be altered by the Company with the agreement of Smith & Williamson.
- 2.8 The Offer will initially be open for acceptance until 3.00pm on 30 August 2007.

- 2.9 The section headed “Notes on how to complete the Application Form” on the Application Form forms part of these Terms and Conditions.
- 2.10 No person receiving a copy of the Admission Document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required.
- 2.11 The Shares have not been and will not be registered under the Securities Act, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (“the USA”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
- 2.12 Dealings prior to the issue of certificates for Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.
- 2.13 It is a condition of the Offer to ensure compliance with the Money Laundering Regulations 2003. The Receiving Agent is entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker’s draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to the Receiving Agent to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Receiving Agent as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, the Company may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and the Receiving Agent may not enter the Applicant on the register of members or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the Application. The Company reserves the right, in its absolute discretion for it or the Receiving Agent to reject any Application in respect of which the Receiving Agent considers that, having requested verification of identity it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to the Receiving Agent such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2003.
- 2.14 Authorised financial advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA number will be entitled to commission on the cash amount payable in respect of the Shares allocated for each such Application Form at the rate set out on the relevant Application Form. Authorised financial advisers may agree to waive part or all of their commission in respect of an application. If this is the case, then such application will be treated as an application to apply for the number of Shares stated in Box 2 of the Application Form together with a number of additional Shares equivalent to the amount of commission waived at £1 per Share, which waived commission will be applied in paying for such Shares. The Company and/or the Receiving Agent are authorised to amend such Box 2 to include any such

additional Shares. Financial advisers should keep a record of Application Forms bearing their stamp to substantiate any claim for their commission.

- 2.15 Monies and/or Heritage Shares which are not sufficient to subscribe for one whole Share will not be refunded and fractions of Shares will not be issued. The Offer is conditional on achieving the Minimum Subscription; if the Minimum Subscription has not been achieved by 30 August 2007, monies without interest thereon and Heritage Share certificates will be returned to Applicants in accordance with these Terms and Conditions.

3 PROCEDURE FOR APPLICATION

3.1 Application Form

Applicants who wish to apply for Shares should complete the Application Form in accordance with the instructions printed on it and return it together with:

- (a) remittance for the full cash amount due on Application under the Offer; and
 - (b) for Applicants tendering Heritage Shares – if their Heritage Shares are in certificated form, the share certificate(s) for the Heritage Shares being tendered (or other documents of title),
- in each case to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. To apply under the Offer your Application should be made in accordance with these Terms and Conditions as soon as possible, but in any event to be received by no later than 3.00pm on 30 August 2007,
- (or, if the Offer is extended beyond that date, by no later than 3.00pm on 28 September 2007 (or such earlier or later date and time as the Directors may subsequently resolve, at their absolute discretion to close the Offer). Applicants are advised to allow two clear business days for delivery by first class post in the UK.)

3.2 Remittances under the Offer

- (a) All cash payments under the Offer must be by cheque or banker's draft in pounds sterling. Cheques and banker's drafts should be made payable to "Capita IRG Plc A/C Hampden Underwriting plc" and crossed "A/C Payee only".
- (b) Application monies under the Offer will be kept in a separate bank account pending fulfillment of the conditions and acceptance of the Application set out in these Terms and Conditions.
- (c) If the Offer fails to become unconditional and/or to the extent that any Application under the Offer is rejected or scaled back, Application monies will be returned by post, at the risk of the Applicant(s), as soon as practicable (without interest) by crossed cheque in favour of the Applicant(s). In the meantime, application monies will be retained by the Receiving Agent in a separate account.
- (d) Cheques must be drawn in the personal account of the individual investor where they have sole or joint title to the funds. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or bankers' draft to such effect.
- (e) If HAL holds funds on behalf of an Applicant, if the Applicant ticks the relevant box in Box 2 of the Application Form, the Applicant authorises HAL to pay such amount on behalf of the Applicant in satisfaction of the cash subscription funds.

3.3 Tendering Heritage Shares under the Offer

- (a) For Heritage Shares in certificated form, an Application Form should be accompanied by the share certificate(s) for the tendered Heritage Shares and/or other documents of title.

- (b) If an Applicant(s)' Heritage shares are in certificated form but share certificate(s) and/or other documents of title is/are not readily available or is/are lost, the Applicant should obtain a replacement share certificate from Heritage's registrar. The Applicant should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded together with the Application Form as soon as possible thereafter.
- (c) If an Applicant's Heritage Shares are held on its behalf by HAL, if such Applicant ticks yes in Box 5b of the Application Form, such Applicant appoints HAL as agent and duly authorised attorney to do all things and execute all documents necessary on the Applicant's behalf to effect the transfer of Heritage Shares to the Company pursuant to the Offer.

3.4 Additional procedures for Heritage Shares held in uncertificated form (that is, in CREST)

- (a) If your Heritage Shares are in uncertificated form, you should insert in Box 5c (Box 6b for Applicants making Applications through IFAs) of the enclosed Application Form the participant ID and member account ID under which such shares are held by you in CREST and otherwise complete and return the Application Form as described above. In addition, you should take (or procure to be taken) the action set out below to transfer the Heritage Shares which you wish to tender pursuant to the Offer to an escrow balance (that is, send a TTE instruction) specifying Capita Registrars (in its capacity as a CREST participant under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settled not later than 30 August 2007.

If you are a CREST sponsored member, you should refer to your CREST sponsor (e.g. stockbroker or other professional adviser) before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Heritage Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to Euroclear UK and Ireland Limited ("Euroclear") in relation to your Heritage Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- Number of Heritage Shares to be transferred to an escrow balance;
- The corporate action ISIN of the Heritage Shares which is GB00B23XLS45;
- Your member account ID. This must be the same member account ID as the member account ID that is inserted in Box 1 and/or 5c (Box 1 and/or Box 6b for Applicants making Applications through IFAs) of the Application Form;
- Your participant ID. This must be the same participant ID that is inserted in Box 1a and/or Box 5c (Box 1 and/or Box 6b for Applicants making Applications through IFAs) of the Application Form;
- Participant ID of the escrow agent (Capita Registrars, in its capacity as a CREST Receiving Agent). This is RA10 ;
- Member account ID of the escrow agent. This is HAMPDEN;
- Application Form Reference Number. This is the reference number that appears at the bottom left of each page of the Application Form. This reference number should be inserted in the first eight characters of the share note field on the TTE instruction. Such insertion will enable Capita Registrars to match the transfer to escrow to your Application Form. You should keep a separate record of this reference number for future reference;
- Intended Settlement Date. This should be as soon as possible and in any event no later than 30 August 2007;
- Input with standard delivery instruction with a priority of 80; and

- the corporate action number for the Offer. This is allocated by Euroclear and can be found by viewing the relevant corporate action details on the screen in CREST.

After the settlement of the TTE instruction, you will not be able to access the Heritage Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes unconditional and to the extent that your Application under the Offer is accepted, the Escrow Agent will transfer the Heritage Shares concerned to itself in accordance with paragraph 2.5 of these Terms and Conditions.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that an Application Form relates to only one transfer to escrow.

If no Application Form Reference Number, or an incorrect Application Form Reference Number is included on the TTE instruction, the Company may treat any amount of Heritage Shares transferred to an escrow balance in favour of the Escrow Agent specified above from the Heritage participant ID and member account ID identified in the TTE instruction as relating to any Application Form(s) which relate(s) to the same member account ID and participant ID (up to the amount of Heritage Shares inserted or deemed to be inserted on the Application Form(s) concerned).

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Heritage Shares to settle prior to 3pm on 30 August 2007. In this connection you are referred, in particular, to those sections of the CREST Manual concerning practicable limitations of the CREST system and timings.

The Company will make an appropriate announcement if any of the details contained in this paragraph 3.4a alter for any reason.

- (b) Normal CREST procedures (including timings) apply in relation to any Heritage Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Heritage Shares or otherwise). Heritage Shareholders who are proposing so to convert any Heritage Shares under the Offer are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Heritage Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) or other document(s) of title or transfers to an escrow balance as described above) prior to 3.00 p.m. on 30 August 2007.

3.5 Return of Heritage Shares

- (a) If the Offer fails to become unconditional and/or any Heritage Share element of an Application under the Offer is rejected in full for any reason:
 - (i) in respect of Heritage Shares in certificated form for which share certificate(s) and/or other document(s) of title have been tendered, such share certificate(s) and/or document(s) of title will be returned by post to the Applicant(s) at the address set out in Box 1 of the Application Form at the risk of the Applicant.
 - (ii) in respect of Heritage Shares in uncertificated form, the escrow agent will give instructions to Euroclear to transfer all Heritage Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Applicant(s).
- (b) If any Heritage Share element of an Application under the Offer is scaled back or rejected in part:

- (i) in respect of Heritage Shares in certificated form for which share certificate(s) and/or other document(s) of title have been tendered, neither the Company nor its Receiving Agent shall have any responsibility for the return of such share certificate(s) and/or other document(s) of title, (it shall be the responsibility of Heritage and its agents to reissue a balancing share certificate);
- (ii) in respect of Heritage Shares in uncertificated form the Escrow Agent will give instructions to Euroclear to transfer the balance of Heritage Shares held in escrow balances and in relation to which it its Escrow Agent to the original available balances of the Applicant(s).

HAMPDEN UNDERWRITING PLC

HAMPDEN HOUSE
GREAT HAMPDEN
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FOR FURTHER ASSISTANCE
PLEASE CALL (020) 7131 4502
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