10 August 2007

Hampden Underwriting plc

Hampden Underwriting plc Announces Intention to Float on AIM

Hampden Underwriting plc ("Hampden Underwriting" or the "Company"), which has been incorporated primarily to provide a limited liability direct investment into the Lloyd's insurance market through its subsidiary underwriting vehicle, Hampden Corporate Member Limited ("HCM"), today announces its intention to float on AIM, a market operated by the London Stock Exchange, and raise up to £15 million through an offer for subscription to the public in the UK ("the Offer"). Hampden Capital plc intends to invest £1 million in Hampden Underwriting pursuant to the Offer.

Hampden Underwriting

- Hampden Underwriting's subsidiary, HCM, 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 billion of capacity under management in 2007 which, the directors of Hampden Underwriting (the "Directors") believe, gives it an influential voice in the Lloyd's market as a whole.

- 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 Company's strategy is to seek to generate returns for its shareholders through:

  - acquiring underwriting participations in Lloyd's syndicates and providing the necessary supporting funds at Lloyd's. HCM will bid in the capacity auctions on 4 and 5 September 2007, 13 and 14 September 2007 and 25 and 26 September 2007.

  - acquiring more capacity on syndicates through the acquisition of other corporate members of Lloyd's as suitable opportunities arise. There is already a market in the sale and purchase of corporate members, in which HAL is 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; and

  - the investment in other Lloyd's insurance-related investments and products, if and when suitable opportunities arise.

- Hampden Underwriting will seek to benefit from the positive market conditions created in the wake of the recent US catastrophes. In summary:

  - 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 has undertaken a comprehensive process of internal reform over the past few years, the most crucial component of which was the establishment of the Franchise Performance Directive in 2002. 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. 2006 saw a low catastrophe incidence, which 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:

  (i) they have led to an improvement of rating levels for certain classes of business; and

  (ii) they have changed the shape of the worldwide insurance industry.

  The Directors believe that this gives the best Lloyd's syndicates a significanttrading opportunity for the medium term.

- Rates have increased by substantial margins in classes of insurance business such as reinsurance, US property and US offshore 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.

- 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, and believe that current underwriting conditions offer the capability to produce good underwriting profits (though not indefinitely).

HAL

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.

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. The table below shows the way in which members advised by HAL have outperformed relative to the Lloyd's market as a whole since 2001:

	Percentage return on capital invested	
Year of account	HAL-advised members	Lloyd's market
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 QMR returns. 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.

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.

Summary of the Offer

- Smith & Williamson is acting as the Nominated Adviser, Broker and Promoter to the Company
- The prospectus for the Offer is expected to be published in August 2007
- The Offer is expected to be made in August 2007 and will be subject to a minimum cash subscription of £4 million

Sir Michael Oliver, Chairman of Hampden Underwriting, said:

"Hampden Underwriting provides a unique investment opportunity for investors to participate in the Lloyd's market at a time when the global insurance market is enjoying the benefits of higher rates following a series of natural catastrophes. We are confident that HAL, as the largest provider of third party capital to the Lloyd's market, has the necessary industry expertise to help maximise this opportunity for shareholders."

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For copies of the prospectus please contact:

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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.

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 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.

Jeremy Richard Holt Evans, aged 49, (Non-executive Director)
Jeremy Evans joined Minories 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 plc.

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

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, also a director of Hampden Underwriting, as detailed above, is an executive director of HAL where he has particular responsibility for business development.

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