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IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 6654 of 2006

IN THE MATTER OF OMEGA UNDERWRITING HOLDINGS PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985
SCHEME OF ARRANGEMENT
(UNDER SECTION 425 OF THE COMPANIES ACT 1985)
BETWEEN
OMEGA UNDERWRITING HOLDINGS PLC
AND
THE SCHEME SHAREHOLDERS (as hereinafter defined)

Preliminary

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"Act"	the Companies Act 1985, as amended;
"business day"	any day other than a Saturday or Sunday on which banks are generally open for business in England and Wales;
"Capital Reduction"	the proposed reduction of the issued share capital of the Company under section 135 of the Act in accordance with sub-clause 1.1 of the Scheme and the cancellation of the entire amount standing to the credit of the Company's share premium account as at the date of the Court Hearing;
"certificated" or "in certificated form"	not in uncertificated form;
"Certificated Holders"	Scheme Shareholders holding their Scheme Shares in certificated form;
"Company"	Omega Underwriting Holdings PLC;
"Court"	the High Court of Justice of England and Wales;
"Court Hearing"	the hearing of the Petition by the Court;
"Court Meeting"	the meeting of holders of Ordinary Shares convened by direction of the Court pursuant to section 425 of the Act for 9:00 a.m. on 20 October 2006, to consider and, if thought fit, approve this Scheme, including any adjournment thereof;
"Court Order"	the Order of the Court sanctioning the Scheme under section 425 of the Act and confirming the

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LEBOEUF, LAMB, GREENE & MACRAE



	Capital Reduction;
"CREST"	the relevant system (as defined in the Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations);
"CRESTCo"	CRESTCo Limited;
"CREST Transfer Form"	means the form of stock transfer in use from time to time within CREST, by which a Scheme Shareholder holding Ordinary Shares in certificated form wishing to hold his/her/its interest in New Omega in uncertificated form can effect the transfer of his/her/its holding of New Omega Common Shares to the Depositary in exchange for an equivalent amount of Depositary Interests representing such New Omega Common Shares;
"Deferred Share"	means the deferred share of 5 pence in the capital of the Company, to be designated as such pursuant to the Resolution;
"Demat Form"	means the CREST Dematerialisation Request Form in use from time to time within CREST, by which a Scheme Shareholder holding Ordinary Shares in uncertificated form wishing to hold his/her/its interest in New Omega in uncertificated form can effect the transfer of his/her/its holding of New Omega Common Shares to the Depositary in exchange for an equivalent amount of Depositary Interests representing such New Omega Common Shares;
"Depositary"	Capita IRG Trustees Limited;
"holder"	includes any person entitled by transmission;
"New Omega"	Omega Insurance Holdings Limited, an exempted company limited by shares incorporated under the Companies Act 1981 of Bermuda, as amended, with the registration number EC38802;
"New Omega Bye-laws"	the bye-laws of New Omega;
"New Omega Common Shares"	new common shares of US\$0.10 each in the capital of New Omega;
"New Ordinary Shares"	new ordinary shares of 5 pence each in the capital of the Company referred to in sub-clause 1.2 of the Scheme;

"Ordinary Shares"	the ordinary shares of 5 pence each in the capital of the Company;
"Petition"	the petition to the Court to sanction the Scheme and the Capital Reduction;
"Placing"	the placing by Numis Securities Limited and Cenkos Securities Limited of the Placing Shares at the Placing Price on behalf of the Company on the terms and conditions of the Placing Agreement;
"Placing Agreement"	the agreement dated 18 September 2006 and made between (1) Numis Securities Limited, (2) Cenkos Securities Limited and (3) the Company;
"Placing Price"	132 pence per Placing Share;
"Placing Shares"	26,515,152 new Ordinary Shares to be allotted and issued by the Company and placed by Numis Securities Limited and Cenkos Securities Limited pursuant to the Placing Agreement;
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
"Resolution"	the second special resolution set out in the notice to be proposed at the Scheme EGM;
"Scheme Effective Date"	the date on which this Scheme becomes effective in accordance with its terms;
"Scheme EGM"	the extraordinary general meeting of the holders of Ordinary Shares convened for 9:10 a.m. (or if later, immediately following the conclusion or adjournment of the Court Meeting) on 20 October 2006, including any adjournment thereof;
"Scheme Record Time"	6:00 p.m. London time on the business day immediately preceding the Scheme Effective Date, which is expected to be on or around 8 November 2006;
"Scheme Shareholder"	a holder of Scheme Shares;
"Scheme Shares"	<ul style="list-style-type: none"> (a) all Ordinary Shares in issue at the date of this document; (b) all (if any) additional Ordinary Shares issued after the date of this document but up to and including the Voting Record Time; and (c) all (if any) further Ordinary Shares which may be issued after the passing of the Resolution at the Scheme EGM but at or

prior to 6:00 p.m. on the business day prior to the date on which the Court Order is made either on terms that the original or any subsequent holders shall be bound by this Scheme or in respect of which the holders shall have agreed in writing to be bound by this Scheme, including all (if any) Ordinary Shares issued pursuant to the Placing,

but excluding in each case the Deferred Share to be held by New Omega;

"this Scheme"

this scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court;

"UK"

the United Kingdom of Great Britain and Northern Ireland;

"uncertificated" or "in uncertificated form"

recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;

"Uncertificated Holders"

Scheme Shareholders holding their Scheme Shares in uncertificated form;

"Voting Record Time"

48 hours before the time of the Court Meeting or any adjournment thereof.

(B) The authorised share capital of the Company as at the date of this Scheme is £8,850,000 divided into 177,000,000 Ordinary Shares, of which at 21 September 2006, 120,840,411 Ordinary Shares have been issued and are fully paid up (and the remainder are unissued). Such authorised share capital is due to be increased to £10,100,000 by the creation of 25,000,000 Ordinary Shares if the first special resolution set out in the notice is passed at the Scheme EGM.

(C) New Omega was incorporated in Bermuda as an exempted company limited by shares on 22 August 2006 under the name Omega Insurance Holdings Limited. The authorised share capital of New Omega at the date of this Scheme is \$1,000,000,000 divided into 10,000,000,000 New Omega Common Shares of which at 21 September 2006, 120,000 New Omega Common Shares have been issued and are nil paid (and the remainder are unissued).

(D) The purpose of this Scheme is to provide for the cancellation of the Scheme Shares and the issue of New Ordinary Shares to New Omega in consideration of the issue by New Omega of the New Omega Common Shares to the Scheme Shareholders on the register of the Company as at the Scheme Record Time.

(E) New Omega has agreed to appear by Counsel at the Court Hearing to consent to this Scheme and to undertake to the Court to be bound by this Scheme and do, or procure to be executed or done, all such documents, acts or things as may be

necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

1. The Scheme

- 1.1 The issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.
- 1.2 Forthwith and contingently upon the reduction of issued share capital pursuant to sub-clause 1.1 of this Scheme taking effect and notwithstanding anything in the articles of association of the Company, the Company shall apply £1,000,000 of the reserve arising in its books of account as a result of the reduction of capital pursuant to sub-clause 1.1 of this Scheme, in paying up in full and at par New Ordinary Shares of an aggregate nominal amount equal to £1,000,000, and shall allot and issue the same, credited as fully paid up to New Omega as the holder of the Deferred Share and/or its nominee.
- 1.3 In consideration of the issue of the New Ordinary Shares to New Omega and/or its nominee pursuant to clause 1 of this Scheme, New Omega shall (subject to the provisions of sub-clauses 1.4 and 1.5 of this Scheme) allot and issue New Omega Common Shares to the Scheme Shareholders on the basis of one fully paid New Omega Common Share for every Scheme Share cancelled per sub-clause 1.1 above held as at the Scheme Record Time.
- 1.4 The New Omega Common Shares to be issued pursuant to sub-clause 1.3 of this Scheme shall rank in full for all dividends or distributions made, paid or declared after the Scheme Effective Date in accordance with the New Omega Bye-laws on the share capital of New Omega. New Omega Common Shares issued pursuant to sub-clause 1.3 of this Scheme shall be issued with the rights and subject to the restrictions set out in the memorandum of association of New Omega and the New Omega Bye-laws.
- 1.5 The provisions of sub-clause 1.3 of this Scheme shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the UK ("**overseas shareholder**"), New Omega is advised that the allotment and issue of New Omega Common Shares pursuant to this clause 1 of this Scheme would infringe the laws of any jurisdiction outside the UK or would require New Omega to observe any governmental or other consent or any registration, filing or other formality, then New Omega may in its sole discretion determine that no New Omega Common Shares shall be allotted or issued to such overseas shareholder under this clause 1 of this Scheme, but shall instead be allotted to a UK resident nominee appointed by New Omega or such overseas shareholder, for such overseas shareholder, either:
 - (a) on terms that the nominee shall hold the New Omega Common Shares subject to the instructions of such overseas shareholder; or
 - (b) on terms that the nominee shall, as soon as reasonably practicable following the Scheme Effective Date, sell the New Omega Common Shares so allotted and issued at the best price which can reasonably be obtained at the time of sale and shall, within seven business days after any such sale, account for the

net proceeds of such sale (after the deduction of all expenses and commissions, including any value added tax payable thereon) by delivering a cheque to such overseas shareholder in accordance with the provisions of sub-clause 2.2 of this Scheme. In the absence of fraud or wilful default, neither New Omega nor the nominee shall be responsible for any loss or damage to any person arising from any transaction pursuant to this sub-clause 1.5(b) or for any alleged insufficiencies of any sale price or the timing of such sale.

2. Certificates and payment

- 2.1 Save where Scheme Shareholders have completed CREST Transfer Forms or Demat Forms (as appropriate) and returned them to their broker by 6:00 p.m. on 2 November 2006 or to the Depositary by 6:00 p.m. on 3 November 2006 (respectively), not later than fourteen (14) days after the Scheme Effective Date, New Omega shall send by post to the allottees of the New Omega Common Shares allotted and issued pursuant to clause 1 of this Scheme certificates in respect of such shares.
- 2.2 All certificates and cheques required to be sent by New Omega pursuant to this Scheme shall be sent through the post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of the Company as at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of the Company prior to the Scheme Record Time.
- 2.3 None of the Company, New Omega, any nominee referred to in sub-clause 1.5 of this Scheme or any agent of any of them shall be responsible for any loss or delay in transmission of certificates and cheques, sent in accordance with this clause 2.
- 2.4 The preceding sub-clauses of this clause 2 shall take effect subject to any prohibition or condition imposed by law.
- 2.5 In the event that certificates are not sent to the allottees of the New Omega Common Shares within fourteen (14) days after the Scheme Effective Date, New Omega will notify the allottees that the certificates are being retained until further notice from New Omega.
- 2.6 The Depositary shall on or about 9 November 2006 credit Depositary Interests to the CREST stock accounts of Scheme Shareholders or their nominees who have returned CREST Transfer Forms or Demat Forms (as applicable) to their broker by 6:00 p.m. on 2 November 2006 or to the Depositary by 6:00 p.m. on 3 November 2006 (respectively).

3. Certificates representing Scheme Shares

With effect from and including the Scheme Effective Date, all certificates representing holdings of Scheme Shares held in certificated form shall cease to be valid in respect of such holdings and Certificated Holders shall at the request of the Company return such certificates for cancellation to the Company or to any person appointed by the Company.

4. Scheme Shares held in CREST

In the case of Uncertificated Holders, CRESTCo will be instructed to cancel, with effect as from the Scheme Record Time, such holders' entitlement to their Scheme Shares held in uncertificated form.

5. Scheme Effective Date

- 5.1 This Scheme shall become effective as soon as an Office copy of the Order of the Court sanctioning this Scheme under section 425 of the Act and confirming the reduction of capital proposed under this Scheme under section 137 of the Act shall have been duly delivered to the Registrar of Companies for registration and, in relation to the reduction of capital, is registered by him.
- 5.2 All mandates and other instructions to the Company in force on the Scheme Effective Date relating to Scheme Shares shall, unless and until revoked or amended, be deemed as from the Scheme Effective Date to be a valid and effective mandate and instruction to New Omega in relation to the corresponding New Omega Common Shares allotted and issued pursuant to this Scheme.

5. Lapse

Unless this Scheme shall have become effective on or before 31 January 2007 or such later date, if any, as the Company and New Omega may agree and as the Court may allow, it shall lapse.

7. Modification

The Company and New Omega may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Dated the 25th day of September 2006