



Hammonds Equity Capital Markets Review of 2008

In spite of difficult market conditions, 2008 was a good year for Hammonds' AIM practice, having advised on a total of 13 AIM transactions worth £753.1m in aggregate, including IPOs, fundraisings, takeovers and P2P transactions. In addition, we advised on some significant transactions involving Main Market companies.

The May 2008 flotation of Yangtze China Investment Limited, an investment company focusing on Chinese early stage companies, confirmed Hammonds' reputation as a leading adviser to Chinese businesses coming to AIM. This was the sixth flotation of a Chinese business on which Hammonds has advised, and we have a number of other Chinese clients looking to come to London when market conditions are appropriate. More generally, our flotation and fundraising activity on AIM included advising on the flotation of Share plc and a fundraising for Petroneft Resources plc. Among our Main Market transactions, we advised Care UK plc on its placing and Class 1 acquisition (with an initial consideration of £14.1m) of 50% of Partnership Health Group Limited.

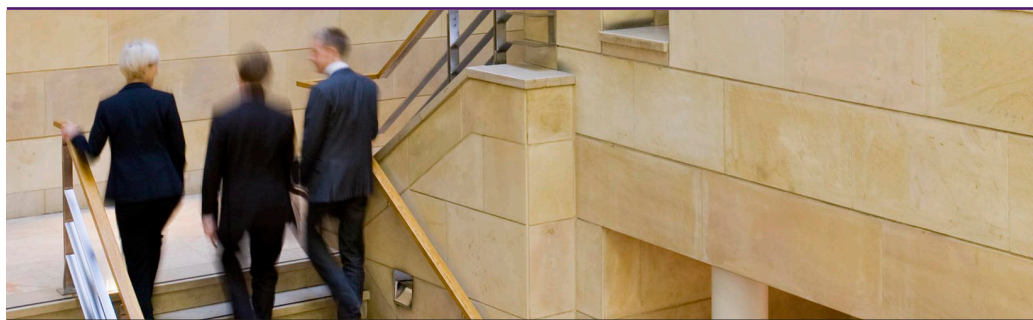
In 2008, Hammonds also achieved notable successes with public company takeovers, acting on 11 such deals with a total value of over £1.8bn. We advised Illinois Tool Works Inc. on its £1.03 billion takeover offer for Enodis plc in a competitive situation, which provided a relatively rare example of competing bids for a public company both proceeding by way of scheme of arrangement. This transaction also gave us experience of the first and, to date, only "one shot" auction for a public company conducted under the Takeover Code. We were also involved in a range of other takeover transactions. At the beginning of 2008 we acted for Willmott Dixon Limited on its £148.2m recommended takeover of social housing group Inspace plc and for the management team of Inspicio plc on a £335m buy-out backed by funds managed by 3i. We ended the year on a high note with the announcement of a number of takeovers, including our client Melorio plc's £33.2m reverse takeover of Zenos Limited and Zenos Learning Limited.

We anticipate increased activity in public takeover transactions, including public to private transactions, across all sectors in 2009, highlighting the real value opportunities for purchasers focusing on UK publicly listed companies. We also see the possibility of a significant number of smaller publicly traded companies voluntarily de-listing from the markets.

During 2008 we found ourselves advising and guiding clients and contacts on a number of significant developments relevant to the public markets.

Pensions legislation has become increasingly relevant to takeover transactions, and in March 2008 the Pensions Regulator issued revised clearance guidance and proposed changes to the "moral hazard" powers. These developments were highlighted in Hammonds' "Insight" publication "Keeping the Pensions Promise", which was published in the summer of 2008. Hammonds also ran a number of seminars in the Autumn, on a national basis, addressing pension issues for takeover transactions, bearing in mind that pensions issues are sometimes the most significant stumbling blocks for a successful takeover offer. These pensions issues were brought to the public's attention very clearly during the takeover by scheme of arrangement, in 2007, of Alliance Boots plc. In that transaction, the trustees of one of the Alliance Boots' pension schemes threatened to object to the court's approval of the takeover at the court sanction hearing of the takeover scheme. We saw similar threats raised publicly by the target's pension scheme trustees in Lloyds TSB plc's takeover of HBOS plc, again implemented by way of scheme of arrangement.

The Hammonds
Equity Capital
Markets Team
was involved
in a number
of high profile
and challenging
transactions in
2008, despite
the general slow
down in activity
in the public
markets in the
UK and abroad.



It is not only pension trustees who have taken advantage of the possibility afforded by the court process to object to a takeover scheme. For instance, in the takeover of Expro plc by way of scheme of arrangement, Halliburton Inc., a potential rival bidder for Expro, attempted to persuade the court to withhold its approval of Umbrellastream Limited's takeover offer in order to allow for the possibility of Halliburton launching its own offer for Expro. We are monitoring the implications of these developments from both the defensive and offensive point of view.

In the summer of 2008 we guided clients and contacts on changes being suggested to the Takeover Code (see Public Consultation Papers and Response Statements 2008/1, 2008/2 and 2008/3 at www.thetakeoverpanel.org.uk). The amendments under PCP 2008/1 took effect from 15 July 2008 and the changes under PCPs 2008/2 and 2008/3 are to take effect from 30 March 2009.

Under the changes set out in PCP 2008/3, documentation and announcements relating to takeovers will be capable of being made available to shareholders and the market by electronic means (rather than necessarily in hard copy form), and this will include a requirement to post certain documentation and announcements in relation to takeovers on a website. Persons nominated to enjoy "information rights" pursuant to the provisions of the Companies Act 2006 will also have the same right to receive information in relation to offers as that enjoyed by shareholders. Under PCP 2008/2, changes are to be made, inter alia, to the Takeover Code provisions relating to offer announcements (particularly, possible offer announcements under Rule 2), the mandatory cash offer provisions (Rule 9) and the restrictions on re-bidding (Rule 35). Under PCP 2008/1, changes were made to the Takeover Code to clarify the effect of references of UK takeovers and mergers to the UK or European Commission competition authorities.

Towards the end of 2008, events involving Carphone Warehouse brought the disclosure of dealings by directors and senior executives and their connected persons into focus, resulting in the Financial Services Authority issuing a confirmation that "transactions" requiring disclosure, as set out in Chapter 3 of the Disclosure and Transparency Rules (DTR), include grants of security over shares (by the creation of a security interest such as a pledge, mortgage or charge). This has resulted in a stream of such disclosures by directors. In 2009 we will see further clarification and debate in relation to the regimes for the disclosure of dealings in Contracts For Differences and disclosure of and/or restrictions on short selling, with consequential amendments to the DTR and Code of Market Conduct as appropriate.

Following the publication on 24 November 2008 of a report by the Rights Issue Review Group regarding possible reforms to the laws and regulations surrounding Rights Issues, the Financial Services Authority proposed, on 12 January 2009, that the minimum subscription period for companies undertaking a rights issue be reduced to either 14 calendar days or 10 business days from the current 21 calendar days. The Financial Services Authority will aim to finalise the proposals with changes to the relevant Listing Rules taking effect at the start of February 2009. Consultation on the other recommendations in the report will take place later in the year.

BERR is presently consulting on the EU Shareholder Rights Directive, which if fully implemented will require companies to give 21 days' notice of shareholder meetings (presently 14 days' except for the AGM). There will be an exception for listed companies which have obtained an annual shareholder authority and can offer an electronic voting facility, so we expect that most listed companies will want to propose resolutions at this year's AGM to this effect.

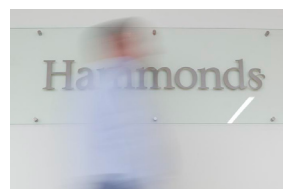
We are also monitoring AIM Regulation's consultation on the proposed changes to the AIM Rules for Companies in relation to investing companies.

Hammonds looks forward to advising clients and contacts of these and other developments in law and regulation during 2009.

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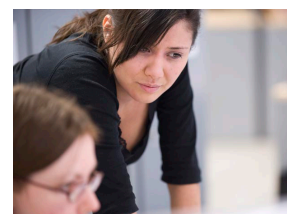


<p>January 2008</p> <p>INSPACE PLC</p> <p>Transaction value £148.2m</p> <p>Acting for Willmott Dixon Limited on its recommended takeover of social housing group Inspace plc.</p>	<p>February 2008</p> <p>INSPICIO PLC</p> <p>Transaction value £335m</p> <p>Acting for the management team of Inspicio plc on a buy-out backed by funds managed by 3i.</p>
<p>April 2008</p> <p>TRIPLEARC PLC</p> <p>Transaction value £12.5m</p> <p>Advising TripleArc plc on a recommended cash offer by office2office plc.</p>	<p>April 2008</p> <p>GRANBY OIL & GAS PLC</p> <p>Transaction value £23.1 million</p> <p>Advising RBC Capital Markets on the recommended cash offer for Granby Oil & Gas plc by Silverstone Energy Limited.</p>
<p>May 2008</p> <p>IMPRINT PLC</p> <p>Transaction value £45.2m</p> <p>Competitive takeover offer for Imprint plc by Sawbuck UK Limited (Premier Group) by way of scheme of arrangement.</p>	<p>May 2008</p> <p>SHARE PLC</p> <p>Market cap £43.1m</p> <p>Advising KBC Peel Hunt on the AIM flotation of Share plc.</p>
<p>May 2008</p> <p>ENODIS PLC</p> <p>Transaction value £1.03bn</p> <p>Advising Illinois Tool Works Inc. on its proposed competitive takeover offer for Enodis plc.</p>	<p>May 2008</p> <p>YANGTZE CHINA INVESTMENT LIMITED</p> <p>Market cap US\$25.38m</p> <p>Advising Yangtze China Investment Limited on its AIM flotation.</p>
<p>June 2008</p> <p>RURELEC PLC</p> <p>Transaction value £15m</p> <p>Advising on the acquisition of 50% of Energia Del Sur and associated placing.</p>	<p>July 2008</p> <p>PETRONEFT RESOURCES PLC</p> <p>Funds raised £8.65m</p> <p>Advising KBC Peel Hunt as joint broker alongside J&E Davy in respect of a secondary fundraising.</p>
<p>July 2008</p> <p>SSP HOLDINGS PLC</p> <p>Transaction value £162m</p> <p>Advising the management of SSP Holdings plc on a buyout of the company backed by Hellman & Friedman LLC.</p>	<p>July 2008</p> <p>CARE UK PLC</p> <p>Initial consideration of £14.1m funded by way of a vendor placing and additional £2m cash placing.</p> <p>Class 1 acquisition of the remaining 50% interest in Partnership Health Group Limited and related placing.</p>





<p>September 2008</p> <p>KEYCOM PLC</p> <p>Transaction value £4.4m</p> <p>Acting for Seymour Pierce on a placing of shares for Keycom plc.</p>	<p>September 2008</p> <p>REDHALL GROUP PLC</p> <p>Transaction value £18.6m (takeover); £20m (placing)</p> <p>Advising Redhall Group plc on its recommended cash offer for Chieftain plc and associated placing of shares in Redhall</p>
<p>December 2008</p> <p>MELORIO PLC</p> <p>Transaction value £33.2m</p> <p>Advising Melorio plc on the reverse takeover of Zenos Limited and Zenos Learning Limited</p>	<p>December 2008</p> <p>FAYREWOOD PLC</p> <p>Transaction value £29.3m</p> <p>Advising Fayrewood plc on the recommended offer (cash offer with part share alternative) for the company by Letchworth Investments Limited, implemented by scheme of arrangement.</p>
<p>December 2008</p> <p>ECI PARTNERS LLP</p> <p>Transaction value £33.3m</p> <p>Advising ECI Partners LLP on the public to private takeover of Ascribe plc by Scroll Bidco Limited</p>	<p>December 2008</p> <p>MACRO4 PLC</p> <p>Transaction value £28m</p> <p>Advising Macro4 plc on the recommended cash offer for the company by UNICOM Systems, Inc.</p>



Hammonds acts as legal adviser on flotations and fundraisings across its international network of offices, and throughout its offices in the UK, Continental Europe and Asia has expertise in all forms of takeovers of quoted and unquoted public companies. Our teams based in the UK work with our international offices on transactions on the London Markets involving European and Asian businesses, and with local legal advisers elsewhere, to provide a global service.

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