

1003142

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

NO. 2157 OF 2003

Mr Justice Lawrence Collins



IN THE MATTER OF ROLLS-ROYCE plc

AND

IN THE MATTER OF THE COMPANIES ACT 1985

ORDER

UPON THE PETITION of Rolls-Royce plc (the *Company*) whose registered office is situated at 65 Buckingham Gate London SW1E 6AT on 30 May 2003 preferred unto this Court

AND UPON HEARING Counsel for the Company

AND UPON READING the said Petition and the evidence

AND UPON Rolls-Royce Group plc and the holder of the one special rights non-voting share of £1 in the Company undertaking by Counsel for the Company being their Counsel for the purpose to be bound by the Scheme of Arrangement hereinafter sanctioned and, in the case of Rolls-Royce Group plc, undertaking to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the said Scheme of Arrangement.



THE COURT HEREBY SANCTIONS the Scheme of Arrangement as set forth in the Schedule to the said Petition and in the First Schedule hereto

AND THE COURT ORDERS that the reduction of capital of the Company resolved on and effected by the Special Resolution passed at the Annual General Meeting of the Company held on 29 May 2003 be and the same is hereby confirmed in accordance with the provisions of the Companies Act 1985

AND THE COURT APPROVES the Minute set forth in the Second Schedule hereto (the *Minute*)

AND IT IS ORDERED:

- (1) that the Company produce this Order to the Registrar of Companies and deliver an Office Copy of this Order to him together with a copy of the said Minute; and
- (2) that notice of the registration by the Registrar of Companies of this Order (so far as it confirms the reduction of capital of the Company) and of the said Minute be published by the Company once in the Financial Times newspaper within 21 days after such registration.

AND THIS COURT DIRECTS pursuant to section 139(2) of the said Act that the Registrar of Companies do register the said order confirming the said reduction of capital of the Company under section 138(1) of the said Act notwithstanding that the said order has the effect of bringing the nominal value of the allotted share capital of the Company below the authorised minimum.

Dated the 18th day of June 2003

THE FIRST SCHEDULE referred to in this Order

SCHEME OF ARRANGEMENT

SCHEME OF ARRANGEMENT
IN THE MATTER OF ROLLS-ROYCE plc
and
IN THE MATTER OF THE COMPANIES ACT 1985
SCHEME OF ARRANGEMENT
(under Section 425 of the Companies Act 1985)
between
ROLLS-ROYCE plc
and
THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

- (A) In this Scheme of Arrangement, unless the context otherwise requires, the following expressions shall bear the following meanings:

<i>business day</i>	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London for the transaction of normal banking business
<i>Clause</i>	a clause of this Scheme
<i>Companies Act 1985</i>	the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force
<i>Court</i>	the High Court of Justice of England and Wales
<i>Court Hearing</i>	the hearing of the petition to sanction the Scheme by the Court
<i>Court Meeting</i>	the meeting, notice of which is set out in Part 5 of this document, of the holders of Ordinary Shares convened by order of the Court pursuant to section 425 of the Companies Act 1985 to consider and, if thought fit, approve this Scheme, and any adjournment thereof
<i>CREST</i>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Regulations
<i>CRESTCo</i>	CRESTCo Limited
<i>Effective Date</i>	the date on which this Scheme becomes effective in accordance with Clause 7

<i>holder</i>	a registered holder and includes any person(s) entitled by transmission
<i>in certificated form</i>	in relation to a share or other security, a share or other security which is not in uncertificated form
<i>New Shares</i>	ordinary shares of 70 pence (or such lower nominal value as the directors of Rolls-Royce Group shall decide prior to the date on which the Court is asked to sanction the Scheme) each in the capital of Rolls-Royce Group
<i>New Special Share</i>	the one special rights non-voting share of £1 in the capital of Rolls-Royce Group
<i>Ordinary Shares</i>	the ordinary shares of 20 pence each in the capital of Rolls-Royce
<i>pence or £</i>	the currency of the United Kingdom
<i>Regulations</i>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<i>Rolls-Royce</i>	Rolls-Royce plc, a company incorporated in England and Wales with registered number 1003142
<i>Rolls-Royce Group</i>	Rolls-Royce Group plc, a company incorporated in England and Wales with registered number 4706930
<i>Scheme</i>	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court
<i>Scheme Record Date</i>	the later of 20 June 2003 and the business day immediately preceding the Effective Date
<i>Scheme Record Time</i>	6.00 p.m. on the Scheme Record Date
<i>Scheme Shareholder</i>	a holder of Scheme Shares as appearing in the register of members of Rolls-Royce at the Scheme Record Time
<i>Scheme Shares</i>	means: <ul style="list-style-type: none"> (a) all the Ordinary Shares in issue at the date of this Scheme; (b) all (if any) additional Ordinary Shares in issue at the Scheme Voting Record Time; and (c) all (if any) further Ordinary Shares which may be in issue immediately prior to the confirmation by the Court of the reduction of capital provided for by Clause 1 of this Scheme in respect of which the original or any subsequent holders shall be bound

by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound

Scheme Voting

Record Time

6.00 p.m. on 27 May 2003 or, if the Court Meeting is adjourned, 48 hours before the time appointed for any adjourned Court Meeting

Special Share

the one special rights non-voting share of £1 in the capital of Rolls-Royce

Special Shareholder

the holder of the Special Share

UK or United Kingdom

the United Kingdom of Great Britain and Northern Ireland

***uncertificated or
in uncertificated form***

in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST

- (B) The authorised share capital of Rolls-Royce at the date of this document is £400,000,001 divided as follows:

	Authorised	
	Number	Nominal value
Ordinary Shares	2,000,000,000	£400,000,000
Special Share	1	£1

of which as at 8 April 2003 1,630,996,508 Ordinary Shares and the Special Share had been issued and were credited as fully paid and the remainder were unissued.

- (C) Rolls-Royce Group was incorporated in England and Wales as a public limited company on 21 March 2003, with registered number 4706930.
- (D) The authorised share capital of Rolls-Royce Group at the date of this document is £1,750,050,001 divided into 2,500,000,000 New Shares of 70 pence each, 50,000 redeemable preference shares of £1 each and the New Special Share. 2 New Shares have been issued and are fully paid and the 50,000 redeemable preference shares have been issued and are paid up to the extent of 25 pence per share. All other shares are unissued.

- (E) Rolls-Royce Group and the Special Shareholder have agreed to appear by Counsel at the Court Hearing, to consent to the Scheme and to undertake to be bound thereby and, in the case of Rolls-Royce Group, to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

1. Cancellation of Scheme Shares

- (a) The issued share capital of Rolls-Royce shall be reduced by cancelling and extinguishing the Scheme Shares.
- (b) Forthwith and contingent upon the reduction of capital referred to in Clause 1(a) taking effect:
- (i) the authorised share capital of Rolls-Royce shall be increased to its former amount by the creation of such number of Ordinary Shares as shall be equal to the aggregate number of Scheme Shares cancelled pursuant to Clause 1(a); and
 - (ii) Rolls-Royce shall apply the credit arising in its books of account as a result of such reduction of capital in paying up, in full at par, the Ordinary Shares created pursuant to Clause 1(b)(i) and shall allot and issue the same, credited as fully paid up, to Rolls-Royce Group and/or its nominee or nominees.

2. Consideration for the cancellation of the Scheme Shares

In consideration of the cancellation of the Scheme Shares and the issue of the Ordinary Shares to Rolls-Royce Group and/or its nominee or nominees pursuant to Clause 1, Rolls-Royce Group shall (subject to the remaining provisions of this Clause and to the provisions of Clauses 3, 4 and 5), allot and issue (credited as fully paid) New Shares to the Scheme Shareholders on the basis of one New Share for each Scheme Share held at the Scheme Record Time.

3. Allotment and issue of New Shares

- (a) The New Shares to be issued pursuant to Clause 2 shall rank in full for all dividends or distributions made, paid or declared after the Effective Date on the ordinary share capital of Rolls-Royce Group.
- (b) The provisions of Clause 2 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 United Kingdom (*overseas shareholder*), Rolls-Royce Group is advised that the allotment and issue of New Shares pursuant to Clause 2 would infringe the laws of any jurisdiction outside the United Kingdom or would require Rolls-Royce Group to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of Rolls-Royce Group, it would be unable to comply

or which it regards as unduly onerous, then Rolls-Royce Group may in its sole discretion either:

- (i) determine that no such New Shares shall be allotted and issued to such holder under Clause 2 but instead such shares shall be allotted and issued to a nominee appointed by Rolls-Royce Group as trustee for such holder, on terms that they shall, as soon as practicable following the Scheme Record Time, be sold on behalf of such holder at the best price which can reasonably be obtained and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such holder by sending a cheque or warrant to such holder in accordance with the provisions of Clause 4. In the absence of bad faith or wilful default, none of the Company, Rolls-Royce Group or any broker or agent of either of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or
- (ii) determine that such New Shares shall be sold, in which event the New Shares shall be issued to such holder and Rolls-Royce Group shall appoint a person to act pursuant to this Clause 3(b)(ii) and such person shall be authorised on behalf of such holder to procure that any shares in respect of which Rolls-Royce Group has made such a determination shall, as soon as practicable following the Scheme Record Time, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) shall be paid to such holder by sending a cheque or warrant to such holder in accordance with the provisions of Clause 4. To give effect to any such sale, the person so appointed shall be authorised on behalf of such holder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Rolls-Royce Group or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

4. Certificates and payments

- (a) Not later than ten business days after the Effective Date, Rolls-Royce Group shall send by post to the allottees of the New Shares certificates in respect of such shares, pursuant to Clause 2, save that where Scheme Shares are held in uncertificated form, Rolls-Royce Group will procure that CRESTCo is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock account in CREST of each such Scheme Shareholder the due entitlement to New Shares.

- (b) Not later than ten business days following the sale of any relevant New Shares pursuant to Clause 3(b), Rolls-Royce Group shall procure that the nominee referred to in Clause 3(b)(i) or such person appointed to act under Clause 3(b)(ii) shall account for the cash payable by despatching to the persons respectively entitled thereto cheques and/or warrants by post.
- (c) All certificates required to be sent by Rolls-Royce Group pursuant to Clause 4(a) and all cheques or warrants required to be sent pursuant to Clause 4(b) 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 Rolls-Royce 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 Rolls-Royce prior to the Scheme Record Time.
- (d) If New Shares are consolidated or subdivided or if the nominal value of New Shares is reduced prior to the despatch of any certificates or the giving of any instructions in accordance with this Clause 4, the certificates or instructions shall relate to such New Shares as so consolidated, subdivided and/or reduced.
- (e) None of Rolls-Royce, Rolls-Royce Group, any nominee referred to in Clause 3(b)(i), such person appointed to act under Clause 3(b)(ii) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this Clause 4.
- (f) All cheques and warrants shall be made payable to the holder or, in the case of joint holders, to the first-named of such holders of the Scheme Shares concerned and the encashment of any such cheque or warrant shall be a complete discharge to Rolls-Royce Group for the monies represented thereby.
- (g) This Clause 4 shall be subject to any prohibition or condition imposed by law.

5. Certificates representing Scheme Shares

With effect from and including the Effective Date, all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings. The holders of such shares shall be bound at the request of Rolls-Royce to deliver such certificates for cancellation to Rolls-Royce or to any person appointed by Rolls-Royce to receive the same.

6. Mandated payments and other instructions

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and the scrip dividend alternative and each instruction then in force as to notices and other communications from Rolls-Royce shall, unless

and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to Rolls-Royce Group in relation to the corresponding New Shares to be allotted and issued pursuant to this Scheme.

7. Effective Date

- (a) 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 Companies Act 1985 shall have been duly delivered to the Registrar of Companies for registration and the minute confirming under section 137 of the Companies Act 1985 the reduction of capital provided for by this Scheme is registered by the Registrar of Companies.
- (b) Unless this Scheme shall have become effective on or before 31 August 2003 or such later date, if any, as Rolls-Royce and Rolls-Royce Group may agree and the Court may allow, it shall lapse.

8. Modification

Rolls-Royce and Rolls-Royce Group 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 11 April 2003

THE SECOND SCHEDULE referred to in this Order

MINUTE

"The capital of Rolls-Royce plc (the *Company*) was by virtue of a Special Resolution passed on 29 May 2003 and with the sanction of an Order of the High Court of Justice dated 18 June 2003 reduced from £400,000,001 divided into 2,000,000,000 ordinary shares of 20 pence each and one Special Share of £1 to £73,800,699.40 divided into 369,003,492 ordinary shares of 20 pence each and one Special Share of £1. By virtue of a Scheme of Arrangement sanctioned by the said Order and of the said Special Resolution, the capital of the Company upon the registration of this Minute is £400,000,001 divided into 2,000,000,000 ordinary shares of 20 pence each and one Special Share of £1 of which the Special Share has been issued and is fully paid and none of the ordinary shares has been issued."

NO 2157 OF 2003

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COMPANIES COURT**

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ROLLS-ROYCE plc**

AND

**IN THE MATTER OF
THE COMPANIES ACT 1985**

ORDER

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SOLICITORS FOR THE PETITIONER