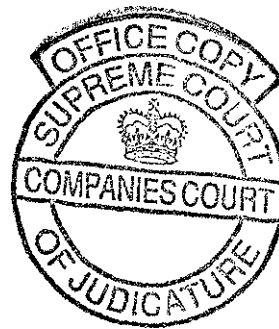


141976

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
MR JUSTICE PUMFREY

Case No. 005309 of 2000



Monday the 23rd day of October 2000

IN THE MATTER OF McKECNIE PLC

-and-



IN THE MATTER OF THE COMPANIES ACT 1985

ORDER

UPON THE PETITION of the above named McKECHNIE PLC ("the Company") whose registered office is Leighswood Road, Aldridge, Walsall West Midlands WS9 8DS on 13 October 2000 preferred unto this Court

AND UPON HEARING Counsel for the Company

AND UPON READING the said Petition and the evidence

AND UPON each of BlueAzure Limited, Andrew Walker and Stuart Moberley, by Counsel for the Company, being its or his (as appropriate) Counsel for the purpose, submitting to be bound by the Scheme of Arrangement hereinafter sanctioned and 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 or him or on its or his behalf for the purpose of giving effect to the said Scheme of Arrangement



THE COURT HEREBY SANCTIONS the Scheme of Arrangement set forth in the Schedule
hereto

A handwritten signature, possibly reading 'J. K.', is written in black ink.

THE SCHEDULE BEFORE REFERRED TO

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 005309 of 2000

IN THE MATTER OF McKECHNIE plc

and

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT

(under Section 425 of the Companies Act 1985)

between

McKECHNIE plc

and

THE HOLDERS OF THE SCHEME SHARES

PRELIMINARY

- (A) In this Scheme the following expressions have the meanings stated, unless they are inconsistent with the subject or context:

BlueAzure: BlueAzure Limited (incorporated in England and Wales under registered number 4005584);

Business Day: any day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London;

Cancellation Shares: the Scheme Shares, other than Loan Note Elected Shares, in issue at the Second Record Time;

Cancellation Shareholders: holders of Cancellation Shares whose names appear in the register of members of the Company at the Second Record Time;

Cash Consideration: the consideration payable by BlueAzure for the Cancellation Shares under clause 2 of this Scheme;

Companies Act: the Companies Act 1985, as amended;

Court: the High Court of Justice in England and Wales;

Court Meeting: the meeting of Scheme Shareholders, other than the Ineligible Shareholders, (and any adjournment thereof) convened pursuant to an order of the Court pursuant to section 425 of the Companies Act, to be held at 10.30 a.m. on 28 September, 2000, for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) of which notice is set out on page 100 of the document of which this Scheme forms part;

Court Order: the order of the Court granted at the First Court Hearing and, in the case of the reduction of capital, at the Second Court Hearing, sanctioning this Scheme under section 425 of the Companies Act and confirming the reduction of share capital provided for by this Scheme under section 137 of the Companies Act;

CREST: the relevant system (as defined in the Regulations) operated by CRESTCo;

CRESTCo: CRESTCo. Limited;

Effective Date: the date on which this Scheme becomes effective in accordance with clause 7.1 of this Scheme;

First Court Hearing: the hearing by the Court of the petition to sanction this Scheme;

First Hearing Date: the date of the commencement of the hearing by the Court of the petition to sanction this Scheme;

First Record Time: 6.00 p.m. on the Business Day immediately preceding the First Hearing Date; holder: a registered holder (and "holder" includes any person entitled by transmission);

Ineligible Shareholders: Andrew Walker and Stuart Moberley, two of the executive directors of McKechnie;

Loan Notes: the floating rate guaranteed unsecured loan notes of BlueAzure to be issued pursuant to the Partial Loan Note Alternative, particulars, of which are set out in Appendix V to the document of which this Scheme forms part;

Loan Note Elected Shares: Scheme Shares (if any) in respect of which (a) valid elections have been made under the Partial Loan Note Alternative in accordance with its terms and (b) Loan Notes are to be issued in accordance with the Partial Loan Note Alternative;

Loan Note Elected Shareholders: holders of Loan Note Elected Shares;

Loan Note Form of Election: the green form of election and authority relating to the Partial Loan Note Alternative and accompanying the document of which this Scheme forms part;

McKechnie or the Company: McKechnie pie (incorporated in England and Wales under registered number 141976);

McKechnie Shareholders: holders of McKechnie Shares;

McKechnie Shares: ordinary shares of 25 pence each in the capital of McKechnie;

Partial Loan Note Alternative: the alternative whereby Scheme Shareholders (other than Restricted Overseas Persons) may elect to receive, subject to certain terms and conditions,

Loan Notes in exchange for some or all of their Scheme Shares under clause 3 of this Scheme instead of receiving the Cash Consideration to which they would otherwise be entitled upon the cancellation of their Scheme Shares under the Scheme, subject to scaling back, if appropriate;

Regulations: the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272);

Relevant Holders: Cancellation Shareholders and Loan Note Elected Shareholders;

Restricted Overseas Person: a US Person or other person residing in Canada, Australia, Japan or New Zealand;

this Scheme: this scheme of arrangement under section 425 of the Companies Act between McKechnie and Scheme Shareholders in its present form or with or subject to any modification thereof or in addition thereto or condition approved or imposed by the Court and agreed by McKechnie and BlueAzure;

Scheme Shareholders: holders of Scheme Shares;

Scheme Shares: McKechnie Shares:

- (i) in issue at the date of this Scheme;
- (ii) (if any) issued after the date of the document of which this Scheme forms part and prior to the Voting Record Time; and
- (iii) (if any) issued after the Voting Record Time and prior to the Second Record Time either on terms that the original or any subsequent holder thereof shall be bound by this Scheme or in respect of which the holder thereof shall have agreed to be bound by this Scheme;

Second Court Hearing: the hearing by the Court of the petition to confirm the reduction of capital provided for by this Scheme;

Second Hearing Date: the date of the commencement of the bearing by the Court of the petition to confirm the reduction of share capital provided for by this Scheme under section 137 of the Companies Act;

Second Record Time: 6.00 p.m. on the Business Day immediately preceding the Second Hearing Date;

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

US or United States: the United States of America, its possessions and territories, all areas subject to its jurisdiction or any subdivision thereof, any state of the United States of America and the District of Columbia;

US Person: a US person as defined in Regulation S under the US Securities Act;

US Securities Act: the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and

Voting Record Time: the time fixed by the Court for determining the entitlement to vote at the Court Meeting, as set out in the Notice of the Court Meeting.

- (B) The authorised share capital of McKechnie at the date of this Scheme is £43,750,000 divided into 175,000,000 ordinary shares of 25 pence each of which 107,249,750 have been issued and are fully paid up, or credited as fully paid up, and the remainder are unissued.
- (C) BlueAzure was incorporated on 1 June, 2000. As at the date of this Scheme, the authorised share capital of BlueAzure is £1,000 divided into 1,000 ordinary shares of £1 each of which one has been issued and is fully paid up, or credited as fully paid up, and the remainder are unissued.
- (D) As at the date of this Scheme, BlueAzure does not own any McKechnie Shares.

- (E) BlueAzure and the Ineligible Shareholders have consented in writing to this Scheme and have undertaken to be bound thereby and 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 or them or on its or their behalf for the purpose of giving effect to this Scheme.

THE SCHEME

1 Cancellation of Cancellation Shares and issue of new McKechnie Shares

- 1.1 The share capital of McKechnie shall be reduced by cancelling and extinguishing all of the Cancellation Shares.

- 1.2 Forthwith and contingently upon the reduction of share capital referred to in clause 1.1 of this Scheme taking effect:

- 1.2.1 the share capital of McKechnie shall be increased to its former amount by the creation of such number of new ordinary shares of 25 pence each in the capital of McKechnie ("new McKechnie Shares") as shall be equal to the number of Cancellation Shares cancelled as aforesaid and having the same rights as the Cancellation Shares so cancelled; and

- 1.2.2 McKechnie shall appropriate and apply the amount credited to the reserve accounts of the Company arising as a result of such reduction of capital taking effect in paying up in full at par all of the new McKechnie Shares created pursuant to sub-clause 1.2.1 of this Scheme, which shall be allotted and issued, credited as fully paid, to BlueAzure and/or any subsidiary of BlueAzure and/or its nominee in consideration for the sums to be paid by BlueAzure as set out in clause 2 of this Scheme.

2 Consideration for cancellation of Cancellation Shares

In consideration of the cancellation of the Cancellation Shares and the issue to BlueAzure and/or its nominee of the new McKechnie Shares as provided in clause 1 of this Scheme, BlueAzure shall pay to or for the account of the Cancellation

Shareholders the sum of 400 pence in respect of each Cancellation Share then held by such persons.

3 Partial Loan Note Alternative

- 3.1 Conditional upon and subject to clause 4.1 of this Scheme, if any holder of Scheme Shares who makes an election under the Partial Loan Note Alternative in respect of all or some only of his holding of Scheme Shares transfers his Loan Note Elected Shares, BlueAzure shall, in consideration for the transfer and subject to the remaining provisions of this clause 3, allot and issue to such holder Loan Notes on the following basis:

for every Loan Note Elected Share	£4 nominal of Loan Notes
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provided that the Partial Loan Note Alternative shall not be available to Restricted Overseas Persons, or persons whom BlueAzure believes to be Restricted Overseas Persons.

- 3.2 The principal amount of the Loan Notes shall be limited to £20 million in aggregate nominal amount. If aggregate elections in respect of the Partial Loan Note Alternative would result in the issue of greater than £20 million in aggregate nominal value of Loan Notes, elections shall be scaled down pro rata. To the extent that aggregate elections in respect of the Partial Loan Note Alternative would result in the issue of less than £5 million in aggregate nominal value of Loan Notes, BlueAzure may elect not to issue any Loan Notes, in which event any relevant Scheme Shares in respect of which elections shall have been made under the Partial Loan Note Alternative shall for the purposes of this Scheme be Cancellation Shares and ipso facto subject to the provisions of clauses 1 and 2 of this Scheme.
- 3.3 The Loan Notes shall be issued and credited as fully paid and in amounts and integral multiples of £1 nominal.
- 3.4 The election referred to in clause 3.1 of this Scheme shall be made by the completion and delivery of a Loan Note Form of Election in accordance with the

instructions thereon. The instructions, terms, authorities and provisions contained in or deemed to be incorporated in the Loan Note Form of Election constitute part of the terms of this Scheme.

3.5 The Loan Notes will be constituted by an instrument substantially in the form, already prepared and initialled for the purpose of identification by Macfarlanes, solicitors, with such modifications or additions, if any, as may prior to the execution thereof be agreed between McKechnie and BlueAzure.

3.6 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any holder of Scheme Shares who is a Restricted Overseas Person or whom BlueAzure believes to be a Restricted Overseas Person or otherwise, BlueAzure is advised that the allotment or issue of Loan Notes pursuant to this clause would or may infringe the laws of any jurisdiction outside the United Kingdom or would or may require BlueAzure to observe any governmental or other consent to any registration, filing or other formality, BlueAzure may determine that the Loan Note Alternative shall not be available to such holder.

4 Acquisition of Loan Note Elected Shares

4.1 The transfer of Loan Note Elected Shares will be subject to, and conditional upon, the:

4.1.1 cancellation of the Cancellation Shares becoming effective in accordance with clause 7.1 of this Scheme; and

4.1.2 issue to BlueAzure of all of the new McKechnie Shares, and the registration of such new McKechnie Shares in the name of BlueAzure, as provided in clause 1 of this Scheme.

4.2 With effect from the Effective Date but subject always to clause 4.1 of this Scheme, BlueAzure shall acquire all the Loan Note Elected Shares (if any) with full title guarantee, free from all liens, equities, charges, encumbrances and other interests but together with all rights at the Effective Date or thereafter attached

thereto including the right to receive and retain all dividends and other distributions (if any). In consideration therefor, BlueAzure shall allot and issue the Loan Notes in accordance with clause 3.1 of this Scheme.

- 4.3 For such purposes, the Loan Note Elected Shares shall be transferred to BlueAzure and to give effect to such transfers any person may be appointed by McKechnie to execute as transferor an instrument of transfer of, or give any instructions to transfer, any Loan Note Elected Shares and every instrument or instruction of transfer so executed or instruction so given shall be as effective as if it had been executed or given by the holder or holders of the Loan Note Elected Shares thereby transferred.

5 Payments

- 5.1 As soon as practicable after the Effective Date and in any event not more than 14 days thereafter, BlueAzure shall:
- 5.1.1 issue, despatch or procure the despatch of cheques to all Cancellation Shareholders for the Cash Consideration due to them, save that persons holding such shares in uncertificated form at the Second Record Time shall be paid within that period through the CREST system unless otherwise determined by BlueAzure; and
- 5.1.2 allot and issue Loan Notes to all Loan Note Elected Shareholders which it is required to allot and issue pursuant to clause 3 of this Scheme, register the Loan Note Elected Shareholders as holders of the Loan Notes so issued with effect from the Effective Date and deliver certificates therefor to such Loan Note Elected Shareholders.
- 5.2 All cheques required to be delivered under this Scheme shall be payable to Cancellation Shareholders or, in the case of joint holders, to the joint holder whose name stands first in the register of members of the Company at the Second Record Time. All such cash payments shall be made in pounds sterling by cheque drawn on a branch of a clearing bank in the United Kingdom. Encashment of any such cheques shall be a complete discharge to BlueAzure for the money represented thereby. In respect of payments made through the CREST system, BlueAzure

shall ensure that an assured payment obligation is created in accordance with the CREST assured payment arrangements. The creation of such assured payment obligation shall be a complete discharge to BlueAzure's obligation under this Scheme with reference to payments made through the CREST system.

5.3 All cheques and certificates required to be despatched by this Scheme shall be despatched by first class post by BlueAzure in prepared envelopes (or by such other means as may be approved by the Panel on Takeovers and Mergers) addressed to the Relevant Holders entitled thereto at their respective addresses as appearing in the register of members of the Company at the Second Record Time (or such other address as may be notified by the Relevant Holder to McKechnie before such time) or, in the case of joint holders, at the registered address of that one of the joint holders whose name stands first in such register (except, in either case, as otherwise directed in writing).

5.4 Neither BlueAzure nor McKechnie nor their nominees shall be responsible for any loss or delay in the transmission of cheques, or certificates, sent in accordance with this Scheme which shall be sent at the risk of the addressee provided always that if within six months of the despatch of any cheque or certificate in accordance with this clause 5, the payee or recipient (as the case may be) notifies BlueAzure and subsequently demonstrates by reasonable evidence that such cheque or certificate has been lost or destroyed, BlueAzure will issue or procure the issue of a replacement cheque or certificate or otherwise tender payment.

5.5 The provisions of this clause 5 shall take effect subject to any prohibition or condition imposed by law.

6 Certificates and cancellation

With effect from and including the Effective Date:

6.1 all certificates representing Cancellation Shares shall cease to be valid for any purpose and each holder of Cancellation Shares shall be bound at the request of McKechnie to deliver up the same to McKechnie or to any person nominated by, McKechnie for cancellation; and

- 6.2 in respect of those holders of Cancellation Shares holding Scheme Shares in uncertificated form, CRESTCo shall be instructed to cancel such holders' entitlements to such Scheme Shares. As regards uncertificated Cancellation Shares, appropriate entries will be made in the Company's register of members with effect from the Effective Date to reflect their cancellation.

7 **Operation of this Scheme**

- 7.1 This Scheme shall become effective as soon as an office copy of the Court Order, sanctioning this Scheme under section 425 of the Companies Act and confirming under section 137 of the Companies Act the reduction of the capital of McKechnie provided for by clause 1 of this Scheme shall have been delivered by McKechnie to the Registrar of Companies for registration and, in the case of the confirmation of reduction of capital, registered by him.

- 7.2 Unless this Scheme shall become effective on or before 31 January, 2001 or such later date, if any, as BlueAzure and McKechnie may agree and the Court may allow, this Scheme shall never become effective.

8 **Costs**

McKechnie is authorised and permitted to pay all its costs and expenses relating to the negotiation, preparation and implementation of this Scheme.

9 **Modification**

BlueAzure and McKechnie may jointly consent on behalf of all persons affected to any modification of, or addition to, this Scheme or to any condition approved or imposed by the Court.

Dated: 2 September, 2000