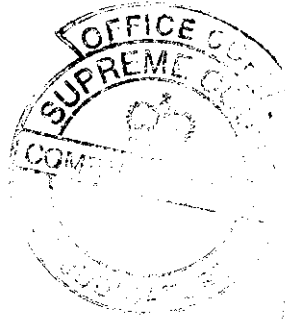
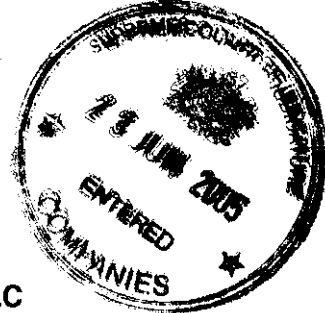


2367076

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**  
**THE HON. MR JUSTICE LINDSAY**  
**Thursday the 23rd day of June 2005**



**No. 2619 of 2005**



**IN THE MATTER OF HALIFAX PLC**

**- and -**

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

UPON THE PETITION of the above-named Halifax plc (the "**Company**"), whose registered office is situate at Trinity Road, Halifax, West Yorkshire, HX1 2RG, presented to this Court in the above matters on 7 June 2005

AND UPON HEARING Counsel for the Company

AND UPON READING the said Petition and the evidence

AND HBOS plc by Counsel for the Company, being its Counsel for this purpose, submitting to be bound by the Scheme of Arrangement hereinafter sanctioned and undertaking to execute and do and 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/them for the purpose of giving effect thereto

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

AND THIS COURT ORDERS that the reduction of the capital of the Company from £1,660,000,000 to £1,461,934,400 resolved on and effected by a Special Resolution passed at an Extraordinary General Meeting of the Company held on 6 June 2005 be and the same is hereby confirmed in accordance with the provisions of the above-mentioned Act

AND THIS COURT APPROVES the Minute set forth in the Second Schedule hereto

AND IT IS ORDERED:

- 1 that this Order be produced to the Registrar of Companies and that an office copy hereof be delivered 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 (insofar as it confirms the reduction of capital of the Company) and of the said Minute be published once in the Times newspaper within 21 days after such registration

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THE FIRST SCHEDULE BEFORE REFERRED TO  
SCHEME OF ARRANGEMENT

## **PART 5: SCHEME DOCUMENTATION**

### **Section (A) The Scheme of Arrangement including Scheme definitions**

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

No. 2619 of 2005

**IN THE MATTER OF HALIFAX PLC**  
**and**  
**IN THE MATTER OF THE COMPANIES ACT 1985**  
**SCHEME OF ARRANGEMENT**  
**(under section 425 of the Companies Act 1985)**  
**between**  
**HALIFAX PLC**  
**and**  
**THE HOLDERS OF THE HALIFAX PREFERENCE SHARES**  
**(as hereinafter defined)**

#### **PRELIMINARY**

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

"Business Day"	a day on which the London Stock Exchange is open for the transaction of business;
"Court"	the High Court of Justice in England and Wales;
"Court Meeting"	the meeting of the Halifax Preference Shareholders convened at the direction of the Court, at which a resolution will be proposed to approve the Scheme and any adjournment thereof;
"Court Order"	the order of the Court sanctioning the Scheme;
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo, the operator of CREST (in accordance with the Regulations);
"CRESTCo"	CRESTCo Limited, the operator of CREST;
"Effective Date"	the date on which the Scheme becomes effective in accordance with its terms upon registration of the Court Order by the Registrar of Companies in England and Wales;
"Halifax"	Halifax plc, registered no. 2367076;
"Halifax Preference Shareholder"	a holder of Halifax Preference Shares;
"Halifax Preference Shares"	Preference Shares other than those held by or on behalf of HBOS;
"HBOS"	HBOS plc, registered no. SC 218813;
"HBOS Group"	HBOS together with its subsidiaries, principally Halifax and The Governor and Company of the Bank of Scotland;
"holder"	a registered holder and includes any person(s) entitled by transmission;
"in certificated form"	a share or other security which is not in uncertificated form;
"New Halifax Preference Shares"	the new Preference Shares to be created pursuant to Clause 1(b)(i) below;

"New HBOS Preference Shares"	6.475 per cent. non-cumulative preference shares of £1 each in the capital of HBOS;
"Preference Shares"	6% per cent. non-cumulative preference shares of £1 each in the capital of Halifax;
"Private Bill"	the HBOS Group Reorganisation Bill relating (amongst other things) to the transfer of certain banking business, including the banking business of Halifax, to the Bank of Scotland;
"Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) in respect of which CRESTCo is the operator (as defined in such regulations);
"Scheme"	this scheme of arrangement between Halifax and the Halifax Preference Shareholders to be made under section 425 of the Companies Act, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court;
"Scheme Record Time"	6.00 p.m. on the Business Day before the Effective Date;
"uncertificated" or "in uncertificated form"	when used in relation to shares, means shares 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; and
"U.S."	the United States of America, its territories and possessions,

and references to Clauses are to clauses of this Scheme.

- (B) The authorised share capital of Halifax at the date of this Scheme is £1,660 million divided into:
- (i) 3,300 million ordinary shares of 20 pence each, of which 2,434,893,166 have been issued and are credited as fully paid and the remainder are unissued; and
  - (ii) 1,000 million 6% per cent. non-cumulative preference shares of £1 each, of which 800 million have been issued and are credited as fully paid and the remainder are unissued.
- (C) 601,934,400 of the Preference Shares are held by HBOS. These Preference Shares constitute a separate class of preference share to the Halifax Preference Shares, as they carry on a poll one vote for every 10 shares and rank behind the Halifax Preference Shares on a return of capital (otherwise than on a winding-up of Halifax).
- (D) HBOS was incorporated and registered in Scotland on 3 May 2001 with registered number SC 218813 as a public limited company under the Companies Act.
- (E) The authorised share capital of HBOS at the date of this Scheme is £4,685,000,000, €3,000,000,000 and U.S.\$4,500,000,000 divided into:
- (i) 4,740,000,000 ordinary shares of 25 pence each, of which 3,908,943,190 have been issued and are credited as fully paid and the remainder are unissued;
  - (ii) 375,000,000 9% per cent. non-cumulative irredeemable preference shares of £1 each, of which 300,000,000 have been issued and are credited as fully paid and the remainder are unissued;
  - (iii) 125,000,000 9% per cent. non-cumulative irredeemable preference shares of £1 each, of which 100,000,000 have been issued and are credited as fully paid and the remainder are unissued;
  - (iv) 200,000,000 6% per cent. non-cumulative irredeemable preference shares of £1 each, none of which has been issued;
  - (v) 2,796,000,000 preference shares of £1 each, none of which has been issued;
  - (vi) 3,000,000,000 preference shares of €1 each, none of which has been issued;

- (vii) 4,500,000,000 preference shares of U.S.\$1 each, none of which has been issued;
  - (viii) 250,000 perpetual 8.117 per cent. non-cumulative perpetual preference shares, Class A of £10 each, none of which has been issued; and
  - (ix) 150,000 perpetual 7.754 per cent. non-cumulative perpetual preference shares, Class B of £10 each, none of which has been issued.
- (F) The purpose of this Scheme is to provide for the cancellation of the Halifax Preference Shares in consideration of the allotment by HBOS of New HBOS Preference Shares to each Halifax Preference Shareholder.
- (G) HBOS has agreed to appear by counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound by the provisions of this Scheme and 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 Halifax Preference Shares**

- (a) The share capital of Halifax shall be reduced by cancelling and extinguishing the Halifax Preference Shares.
- (b) Forthwith and contingently upon the said reduction of capital taking effect:
  - (i) the share capital of Halifax shall be increased to its former amount by the creation of such number of Preference Shares as shall be equal to the number of the Halifax Preference Shares cancelled pursuant to sub-clause (a) above; and
  - (ii) Halifax shall capitalise the reserve arising on the cancellation and shall apply it to pay up, in full at par value the New Halifax Preference Shares which Halifax shall allot and issue credited as fully paid to HBOS and/or its nominee(s).

##### **2 Consideration for the cancellation of the Halifax Preference Shares**

In consideration of the cancellation of the Halifax Preference Shares and the allotment and issue of the New Halifax Preference Shares as provided in Clause 1(b)(ii) above, HBOS shall (subject to the provisions of Clause 3) allot and issue (credited as fully paid) New HBOS Preference Shares to the Halifax Preference Shareholders, on the basis that for every Halifax Preference Share held at the Scheme Record Time, one New HBOS Preference Share shall be allotted and issued.

##### **3 Allotment and issue of New HBOS Preference Shares**

- (a) The New HBOS Preference Shares to be issued pursuant to Clause 2 shall rank in full for all dividends or other distributions made, paid or declared after the Effective Date on the 6.475 per cent. non-cumulative preference share capital in HBOS.
- (b) 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 Halifax Preference Shares with a registered address in a jurisdiction outside the United Kingdom or who is a citizen, resident or national of a jurisdiction outside the United Kingdom, HBOS is advised that the allotment and/or issue of New HBOS Preference Shares pursuant to this Clause 3 would or may infringe the laws of such jurisdiction or would or may require HBOS to comply with any governmental or other consent or any registration, filing or other formality with which HBOS is unable to comply or compliance with which HBOS regards as unduly onerous, HBOS may in its sole discretion determine either: (i) that the holder's entitlement to New HBOS Preference Shares shall be issued to a nominee for such holder appointed by HBOS and then sold with the gross proceeds being remitted to the holder concerned; or (ii) that the holder's entitlement to New HBOS Preference Shares pursuant to the Scheme shall be issued to such holder and then sold on his or her behalf as soon as is reasonably practicable at the best price which can be obtained at the time of sale with the net proceeds being remitted to the holder (after the deduction of all expenses and commissions incurred in connection with such sale, including any value added tax payable on the proceeds of sale). To give effect to any such sale, the person appointed by HBOS in accordance with this Clause 3 shall be authorised as attorney on behalf of the holder concerned to execute and deliver as transferor an instrument

or instruction of transfer and to give such instructions and to do all other things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of Halifax, HBOS 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.

- (c) Not later than 21 Business Days after the Effective Date, HBOS shall:
- (i) allot and issue all New HBOS Preference Shares which it is required to allot and issue and (A) in the case of Halifax Preference Shares which are in certificated form, shall deliver certificates therefor to the persons entitled thereto, or as they may direct or (B) where the Halifax Preference Shares are held in uncertificated form, HBOS will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the Halifax Preference Shareholder concerned with such shareholder's entitlement to such New HBOS Preference Shares provided that HBOS may (if, for any reason, it wishes to do so) determine that settlement shall occur in the manner referred to in (A) of this paragraph (i); and
  - (ii) pay such sums as may be payable pursuant to Clause 3(b) by paying the same in the same way as a dividend for those Halifax Preference Shareholders who have a dividend mandate in force or, for Halifax Preference Shareholders who do not have a dividend mandate in force, by the delivery to them of cheques or warrants in accordance with Clause 3(d) (provided that in the case of cheques relating to the sale of any relevant New HBOS Preference Shares pursuant to Clause 3(b), such period shall be within five Business Days following completion of such sale) or for Halifax Preference Shareholders whose shares are held through CREST, by procuring payment to their CREST accounts.
- (d) All deliveries of certificates, cheques or warrants required to be made by HBOS pursuant to this Scheme shall be effected by posting the same by first class post in prepaid envelopes addressed to the persons entitled thereto at their respective addresses appearing in the register of members of Halifax at the Scheme Record Time (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the register in respect of such joint holding) or in accordance with any special instructions regarding communications.
- (e) None of Halifax, HBOS or their nominees or appointees shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this Clause 3 which shall be sent at the risk of the persons entitled thereto.
- (f) All cheques and warrants shall be made payable to the holder or, in the case of joint holders, to the first-named holder of the Halifax Preference Shares concerned or to such other persons (if any) as such persons may direct in writing and the encashment of any such cheque or warrant shall be a complete discharge to HBOS for the monies represented thereby.
- (g) The preceding Clauses of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

#### **4 Certificates for Halifax Preference Shares**

With effect from and including the Effective Date, all certificates representing Halifax Preference Shares shall cease to be valid in respect of such shares and will cease to be of value. In addition, with effect from and including the Effective Date, in respect of those shareholders holding their Halifax Preference Shares in uncertificated form, CRESTCo shall be instructed to cancel such shareholders' entitlement to the Halifax Preference Shares.

#### **5 Mandated payments and other instructions**

Each mandate in force on the Effective Date relating to the payment of dividends on Halifax Preference Shares and each instruction to Halifax then in force relating to notices, summary financial statements and other communications shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to HBOS in relation to the corresponding New HBOS Preference Shares to be allotted and issued pursuant to the Scheme.

**6 Operation of this Scheme**

- (a) This Scheme shall become effective as soon as an office copy of the Court Order under section 425 of the Companies Act 1985 and confirming under section 137 of the said Act the reduction of the capital of Halifax provided for by this Scheme shall have been duly delivered to the Registrar of Companies for registration and, so far as such Court Order effects the reduction of capital, registered by him.
- (b) Unless this Scheme has become effective on or before 29 June 2005 or such later date, if any, as Halifax and HBOS may agree and the Court may allow, it shall never become effective.
- (c) Halifax and HBOS 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 28 April 2005

THE SECOND SCHEDULE BEFORE REFERRED TO  
MINUTE APPROVED BY THE COURT

"The capital of Halifax plc was by virtue of a Special Resolution and with the sanction of an Order of the High Court of Justice dated 23 June 2005 reduced from £1,660,000,000 divided into 1,000,000,000 6½ per cent. non-cumulative Preference Shares of £1 each and 3,300,000,000 Ordinary Shares of 20 pence each to £1,461,934,400 divided into 601,934,400 6½ per cent. non-cumulative Preference Shares of £1 each and 3,300,000,000 Ordinary Shares of 20 pence each. 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 £1,660,000,000 divided into 1,000,000,000 6½ per cent. non-cumulative Preference Shares of £1 each of which 601,934,400 have been issued and are deemed to be fully paid up and the remainder are unissued and 3,300,000,000 Ordinary Shares of 20 pence each of which 2,434,893,166 have been issued and are credited as fully paid and the remainder are unissued."



**No. 2619 of 2005**

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**COMPANIES COURT**  
**THE HON. MR JUSTICE LINDSAY**

**Re: HALIFAX PLC**

**- and -**

**Re: THE COMPANIES ACT 1985**

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**ORDER**

**Sanctioning Scheme of  
Arrangement and confirming  
reduction of capital**

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