

RT GROUP PLC
(in Members' Voluntary Liquidation)

15 December 2003

Dear Shareholder,

As you are aware, RT Group PLC formerly Railtrack Group PLC ("the Company") was placed into liquidation on 18 October 2002. The Joint Liquidators are required to summon a general meeting of the Company following the end of the first year of the liquidation. The purpose of the meeting is for the Joint Liquidators to give an account of their acts and dealings, and of the conduct of the winding-up, during the preceding year. The Joint Liquidators will also be proposing a resolution to approve the fees and disbursements they have drawn on account during the year. Notice of the annual meeting is attached.

The report detailed below will be presented to the meeting. You do not need to attend the meeting unless you so wish. Attendance at the meeting and/or completion of the attached form of Proxy will not affect your entitlement to further payments.

We attach as Appendix 1 a summary of the Joint Liquidators' Receipts and Payments for the first year of the liquidation.

We attach as Appendix 2 a schedule to show the current position compared to the pro-forma balance sheet prepared for the 31 March 2002 accounts, in order that you can see how the assets have been realised both before and after the commencement of the liquidation and how the liabilities have been settled. At the start of the liquidation, the Company's assets broadly comprised some £1.2 billion of cash, the Company's investment in Railtrack Telecom Services Limited, renamed RT Group Telecom Services Limited ("RTS"), and the Company's investment in Railtrack Developments Limited, renamed RT Group Developments Limited ("RDL").

1 JOINT LIQUIDATORS' ACCOUNT OF RECEIPTS AND PAYMENTS (APPENDIX 1)

We would like to draw your attention to the following items.

1.1 RECEIPTS

Cash at Bank - £1,225,727,699

We collected the various cash balances and initially invested the funds with several institutions. After a liquidation is six months old, the Insolvency legislation requires a liquidator to pay the funds into the Bank of England Insolvency Services Account, which then operates as the main liquidation bank account. Funds in this account currently earn interest at the rate of 3.5% gross. Investment income and bank interest earned during the first year of the liquidation total £17,931,856, shown separately in the Receipts and Payments Account.

Intercompany Receipts – RT Group Holdings Limited £118,000,000

Dividends totalling £84,337,356 and repayment of intercompany debt of £33,662,644 have been paid to the Company by RT Group Holdings Limited, a wholly owned subsidiary of the Company and the holding company of RDL and RTS. These payments include the proceeds of the sales of RDL and the Ultramast joint venture as described below.

Intercompany Debtors and Receipts - £2,088,428

Debts have been recovered and payments received from Railway Safety and Railtrack UK Limited, totalling £549,003. In addition, £1,539,425 has been received from Wensum Developments Limited in respect of the surrender of tax losses. These are shown separately in the Receipts and Payments Account.

Retention Account Payment - £991,188

This represents the balance owing to the Company from the sale of Railtrack Insurance Limited prior to liquidation.

VAT Repayments and Refunds - £1,479,984

We have been in correspondence and discussions with both HM Customs and Excise and the various professionals about the recoverability of VAT incurred on professional fees relating to the various disposals prior to liquidation and these discussions continue. We have to date secured a refund of £1,390,551 that was incorrectly charged by one of the professional firms.

We have also been in discussions with Customs and Excise concerning the recovery of VAT incurred on liquidation expenses. We have recently secured a refund of £1.672m (after the year end and therefore not shown on the Receipts and Payments Account) and expect to make further recoveries.

Sundry Receipts - £42,716

These include the sale of furniture and office equipment which realised £37,000.

1.2 PAYMENTS

Professional Fees - £3,670,907

These include payments of £739,032 to the Company's lawyers, Ashurst Morris Crisp, who have continued to act in respect of the sale of RDL and RTS/Ultramast, have assisted the Liquidators in identifying liabilities and have also advised generally on issues arising in the liquidation. Payments have also been made, in accordance with agreements entered into prior to liquidation, to Jones Lang Lasalle (£1,249,791) for their work on the sale of RDL and to Lehman Brothers (£1,496,015) in respect of the sale of RTS/Ultramast. Other fees totalling £186,069 have been paid to individuals and organisations which have assisted in various aspects of the liquidation.

Share Registrar Fees - £2,722,555

These payments include a payment of £2,000,000 which relates to a negotiated rate for their fees until the projected closure of the liquidation in 2008. These contracted services include the maintenance of the Register of Members, preparing and dispatching three liquidation payments and an annual liquidation report. The Company now has approximately 227,000 shareholders.

Statutory Advertising - £63,502

On the advice of our lawyers, to ensure that early distributions could be made to shareholders, we advertised the liquidation in several national publications in order to ensure that potential creditors were given plenty of opportunity to submit claims to the Liquidators.

Income Tax - £710,553

This represents Income tax deducted at source from the funds held in the Bank of England Insolvency Services Account.

Payment for Tax relief - £500,000

A payment of £500,000 was made to Railtrack plc (now Network Rail Infrastructure Limited) on delivery of certain documents in which Railtrack plc agreed to enter into rollover relief claims with the Company and fellow group companies. These claims could result in a saving of tax of up to £35m by the Company.

Pre-liquidation Creditors – £1,883,970

Payments totalling £1,883,970 have been made to creditors of the Company. These include HM Customs & Excise in respect of pre-liquidation VAT owing of £1,057,237, a settlement payment of £480,000 with a creditor and £122,440 in respect of the Scrip Dividend and Dividend Reinvestment Plan

2 JOINT LIQUIDATORS' REMUNERATION AND DISBURSEMENTS

A resolution was passed on 18 October 2002 that the remuneration of the Liquidators should be fixed at their normal charging rates by reference to the time properly given to matters arising in the winding up. The Liquidators were authorised to draw sums on account of their remuneration from time to time as the Liquidation progresses but agreed to present their itemised bills to the Company in general meeting for approval.

We detail below the work we have carried out in the first year of the liquidation and the hours spent on each category by various grades of staff.

Nature of Work	Hours	Grade	Hours
Realisation of Assets	728	Partners	500
Litigation	96		
Creditors & employees	149	Directors	1,039
VAT	341		
Tax	543	Managers	1,132
Shareholder issues	119		
Court Application/Distributions to Shareholders	386	Associates	305
Investment of funds, cashiering, bank issues	206		
Case set up and notification/Record maintenance and administration	326		
Directors/Subsidiaries' Meetings	82		
Total Hours	2,976	Total Hours	2,976
Total Cost	£1,130,833		

A more detailed breakdown will be available at the annual meeting.

The Joint Liquidators' disbursements during the first year of the liquidation totalled £363,591 of which £334,683 represented amounts paid to Bingham McCutchen LLP in respect of their legal fees and disbursements (which include the fees of leading counsel) in advising the Joint Liquidators, particularly their extensive work in relation to the two High Court applications referred to in paragraph 2.4 below.

In accordance with the resolution passed on liquidation, we have drawn remuneration of £1,130,833 and disbursements of £363,591 during the year. The major tasks we have performed have included the matters shown below.

2.1 Disposal of RT Group Developments Limited (“RDL”)

The sale of RDL to Hammerson plc completed on 28 February 2003 for a total consideration of £63m. A sum of £5 million from this consideration has been placed in an escrow account to cover possible claims by Hammerson plc under the terms of the contract. We would hope that this will be released in early 2004.

2.2 Disposal of RT Group Telecom Services Limited (“RTS”) and Ultramast Limited

Following the settlement agreement with Marconi Corporation plc in relation to the Ultramast joint venture, Ultramast obtained a Court Order for a reduction of capital on 21 February 2003. Marconi then ceased to be a shareholder in Ultramast and RTS’s resulting 100% interest in Ultramast was sold on 15 May 2003. The purchaser has a right to purchase the entire share capital of RTS in the future for a nominal sum. The total proceeds of these transactions amounted to some £27 million.

2.3 Identification of liabilities

The Joint Liquidators and their lawyers have continued to carry out enquiries to identify potential creditor claims against the Company. No additional significant liabilities have come to light and no new material liabilities have been notified to the Joint Liquidators since the second distribution to shareholders.

2.4 Distributions to shareholders

On 12 December 2002 and 29 July 2003 the Joint Liquidators made applications under Section 112 of the Insolvency Act 1986 in the High Court. The purpose of the applications was to obtain the Court’s authority for the first and second distributions to shareholders. The Vice Chancellor, Sir Andrew Morritt, directed and authorised the Joint Liquidators to distribute a total of £2.43 per share to the Company’s shareholders.

A first payment of £2 per share was made on 10 January 2003 and a second payment of 43 pence per share was made on 18 August 2003. We have now returned a total of £1,262,724,418 to shareholders.

3. FUTURE DISTRIBUTIONS TO SHAREHOLDERS

We are holding £90,789,856 in the liquidation account. This is primarily a reserve against tax liabilities and a general contingency reserve. We had hoped to be able to make a third payment to shareholders by the end of this year. The timing of this payment is dependent on us reaching agreement with the Inland Revenue in respect of the outstanding tax liabilities of each group company. We have retained certain tax provisions that we believe cover all potential tax exposures but until we are able to obtain the Revenue’s final agreement of the tax affairs, we are unable to release these provisions.

The amount and timing of further distributions to shareholders will depend on the agreement or determination of any outstanding claims against the Company (including in relation to tax) and the position in relation to any litigation in which the Company becomes involved. Were the Company to become involved in, or be joined as a party to, any litigation, the Joint Liquidators would have to consider whether to make additional reserves against any possible costs or other liability that might be incurred by the Company. This could affect both the amount and timing of subsequent distributions.

Provided that no further liabilities arise, existing liabilities remain within expectation and the Company does not become involved in extensive litigation, we continue to expect to be able to return to shareholders between 252 and 260 pence per share in total. Dependent on the negotiations with the Inland Revenue, we hope to distribute the bulk of the remainder during the second quarter of 2004.

3.1 Retention

The Joint Liquidators will be retaining approximately one penny per share for a period of six years from the commencement of the liquidation. In the event that further costs or liabilities of the Company arise in the future, including in respect of any third party litigation in which the Company becomes involved, the amount of this retention may have to be reviewed.

4 SHARE TRANSFERS

Although the Company's shares are no longer listed on the London Stock Exchange, the Joint Liquidators have given their consent to all private transfers of the Company's shares until 31 December 2003. If this service is required, an administration fee of £10 per transfer must be made directly to the Registrars, Computershare Investor Services PLC. Please note that the fee is not payable to the Company. Probate transfers will be registered free of charge throughout the course of the liquidation.

5 DONATIONS OF SHARES TO CHARITY

A number of shareholders have expressed interest in transferring their holdings in the Company to charity. To assist those shareholders who may wish to do this, the Joint Liquidators have entered into discussions with ShareGift, the charity share donation scheme, a registered charity which uses the proceeds from donated shares to support a wide range of different UK charities. We will send further details to you with the third distribution. In the meantime, should you wish to consider an earlier transfer, a ShareGift transfer form and further information are available from 0870 702 0104. There is no administration fee in respect of a transfer of your shares to ShareGift.

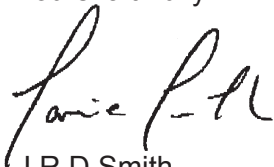
6 ANNUAL MEETING

We enclose notice of the meeting and a form of proxy for your completion if you wish to appoint someone to attend and vote on your behalf. The meeting to be held is a formal meeting where this report will be presented. The only resolution to be tabled is in respect of the Joint Liquidators' remuneration and disbursements as shown on the notice.

7 FURTHER INFORMATION AND QUERIES

If you have further questions, please call our helpline on 0870 702 0104, or visit the Company's website, www.rtgroupp.co.uk Please note the helpline is not able to answer tax-related questions.

Yours faithfully



J R D Smith
Joint Liquidator
RT Group PLC (in members' voluntary liquidation)
(as agent without personal liability)

RT GROUP PLC (IN MEMBERS' VOLUNTARY LIQUIDATION)

JOINT LIQUIDATORS' SUMMARY RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 17 OCTOBER 2003

RECEIPTS	£	£
Cash at Bank		1,225,727,699
Intercompany - RT Group Holdings Limited		118,000,000
Investment Income		13,478,297
Bank Interest Gross		4,453,559
Receipt re surrender of tax losses		1,539,425
VAT Repayments and Refunds		1,479,984
Retention Account Payment		991,188
Intercompany - Others		549,003
Sundry receipts		42,716
		<hr/> 1,366,261,870
 PAYMENTS		
Professional Fees	3,670,907	
Share Registrar Fees	2,722,555	
Pre-appointment creditors	1,883,970	
Liquidators' Fees	1,130,833	
VAT Receivable	901,027	
Inland Revenue - Income Tax	710,553	
Payment for tax relief	500,000	
Liquidators' Disbursements	363,591	
Intercompany	347,871	
HM Customs & Excise	347,637	
Sundry Payments	105,152	
Statutory Advertising	63,502	
	<hr/> 63,502	<hr/> 12,747,597
		1,353,514,273
 ORDINARY SHAREHOLDERS		
First Distribution	1,039,279,356	
Second Distribution	223,445,062	1,262,724,418
	<hr/> 223,445,062	<hr/> 1,262,724,418
 BALANCE AT BANK		 £ 90,789,856 <hr/> <hr/>

