

Letter from the Joint Liquidators of RT Group PLC

# RT GROUP PLC

(in Members' Voluntary Liquidation)

10 January 2003

Dear Shareholder,

At an Extraordinary General Meeting on Friday 18 October 2002 the shareholders of RT Group PLC (formerly Railtrack Group PLC) (the "Company") voted to place the Company into solvent members' voluntary liquidation. This followed the disposals of Railtrack PLC and Railtrack (UK) Limited, the company which held interests in the Channel Tunnel Rail Link. A members' voluntary liquidation was considered by the Company's directors to be the most effective mechanism to return cash to shareholders in a timely and tax efficient manner.

Nick Dargan and I, both partners in Deloitte & Touche, were appointed as the joint liquidators of the Company, assuming responsibility for the Company's affairs from the directors. Our role is to realise the Company's remaining assets, to ascertain and pay in full the Company's liabilities to creditors, and to distribute surplus funds to shareholders.

On 21 October we wrote to you explaining that, provided the Company's remaining assets were realised as expected and no further liabilities were to come to light, we expected to be able to return to shareholders a total of between 252 and 260 pence per share, with a first instalment of between 200 and 220 pence per share being returned to shareholders by early January 2003.

**The joint liquidators are pleased to report that the voluntary liquidation is proceeding in line with our expectations and we are therefore now returning a first instalment of 200 pence per share to those shareholders who appeared on the Company's share register on 30 December 2002.**

This letter explains the progress of the liquidation since 18 October 2002, sets out further details of the enclosed distribution to shareholders, explains our plans for returning the remaining cash to shareholders in the future, and provides information on the capital gains tax treatment that has been agreed with the Inland Revenue in respect of distributions to shareholders.

## **Asset Disposals**

At the beginning of the members' voluntary liquidation, the Company's assets broadly comprised some £1.2 billion of cash, the Company's investment in Railtrack Telecom Services Limited, now called RT Group Telecom Services Limited ("RTS"), and the Company's investment in Railtrack Developments Limited, now called RT Group Developments Limited ("RDL").

### *Disposal of RTS*

On 19 December 2002 RTS reached agreement with Marconi Corporation plc in relation to the Ultramast joint venture and the settlement of the claim by RTS against Marconi. Under this agreement, Ultramast will make an application for a court-approved reduction of capital, and completion of the agreement with Marconi is conditional upon the reduction being approved. Both parties will waive all litigation rights against each other with regards to Ultramast and RTS. On completion of the reduction of capital, the Company will assume the full economic interest in Ultramast and will receive or consolidate approximately £30 million of cash in RTS and its subsidiaries.

## *Disposal of RDL*

On 24 December 2002, RT Group Holdings Limited (a wholly owned subsidiary of the Company) entered into an agreement to sell the entire issued share capital of RDL and various other property holding companies to Hammerson plc for a total consideration of £63 million. Completion of this transaction is due to occur on 28 February 2003.

## **Identification of liabilities**

In a members' voluntary liquidation, cash can only be returned to shareholders to the extent that the liquidators are satisfied that it is not required to meet any outstanding liabilities of the Company. It is therefore usual for cash to be distributed to shareholders in a series of instalments, the amount and timing of each being dependent on the cash available for distribution from time to time in view of a company's actual, prospective and contingent liabilities.

Accordingly, advertisements were placed in the national press inviting creditors to notify their claims against the Company. The joint liquidators have also undertaken a separate exercise to identify the Company's liabilities. This process did not lead to any substantial unexpected liabilities of the Company being identified.

## **Application to the High Court**

On 12 December 2002, the joint liquidators made an application under section 112 of the Insolvency Act 1986 in the High Court. The purpose of the application was to obtain the Court's authority for a proposed first distribution to shareholders. The Vice Chancellor, Sir Andrew Morritt, directed and authorised the joint liquidators to distribute 200 pence per share to the Company's shareholders.

## **Distributions to shareholders**

### *First instalment*

In accordance with the directions of the High Court, the joint liquidators are now returning a first instalment of 200 pence per share to those shareholders who appeared on the Company's share register on 30 December 2002. Accordingly, a cheque is enclosed in respect of the distribution to which you are entitled based on the number of shares in the Company which you held on 30 December 2002.

### *Further instalments*

The amount and timing of further distributions to shareholders will depend on the outcome of the realisation of the Company's remaining assets, 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 the timing of subsequent distributions.

Provided that the Company's remaining assets are realised as expected, 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, and we expect to distribute the bulk of the remainder before the end of 2003.

## *Retention*

We have previously indicated that a small amount, likely to be approximately one penny per share, will be retained by the liquidators for a period of six years from the commencement of the liquidation. The reason for retaining this amount is to meet the costs of any unexpected contingencies, including claims against the Company, and to cover any miscellaneous expenses incurred by the liquidators in the discharge of their duties. 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 reconsidered.

## **Taxation for UK resident individual shareholders**

For the purposes of UK taxation of chargeable gains, cash returned to UK resident individual shareholders in the Company's members' voluntary liquidation is a capital distribution and will therefore not be taxed as income.

Broadly speaking, if a UK resident individual shareholder paid more for their shares than they receive back through all distributions by the joint liquidators, then they should have no tax to pay.

A summary of the tax consequences for a UK tax resident individual is set out in the appendix to this document. However, this is provided to you for information only, and should not be considered as tax advice. Shareholders are recommended to obtain their own tax advice from a professional adviser such as a qualified accountant, tax or other financial adviser.

## **Share de-listing and future share transfers**

The listing of the Company's shares on the London Stock Exchange was cancelled at 4.30pm on Friday 27 December 2002, at which point trading in the Company's shares ceased.

Under the Insolvency Act 1986, any transfer of shares requires the liquidators' consent. The liquidators consent to all private transfers of the Company's shares until 31 December 2003 provided that payment of an administration fee of £10 per transfer is made directly to the Registrars, Computershare Investor Services PLC. Please note that this fee is not payable to the Company. Probate transfers will be registered free of charge throughout the course of the members' voluntary liquidation.

## **Further information and queries**

If after reading this letter you have further questions, please call our helpline on 0870 702 0104, or visit the Company's website, [www.rtgroupp.co.uk](http://www.rtgroupp.co.uk). Please note the helpline is not able to answer tax-related questions.

Yours faithfully



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

## Appendix - United Kingdom Taxation

The following is intended as a general guide only for UK resident individual shareholders who hold their shares as an investment and is based on current UK tax legislation. Shareholders are strongly recommended to consult their own professional advisers if they are in any doubt as to their taxation position.

Cash returned to shareholders via a solvent liquidation is a capital distribution for the purposes of UK taxation of chargeable gains and should not be treated as income.

Broadly, you only need worry about the following tax implications if you think you have a capital gain, ie you paid less for any of your shares than 260 pence (the top of the estimated range for the total distribution) OR you expect to have other capital gains in excess of your personal allowance in the current or future years that you may wish to offset with any capital loss arising from your RT Group PLC shares.

### Calculation of capital gain/loss

For a UK resident shareholder, the calculation of the capital gain or loss arising on each distribution by the Company will be based on the amount received less a proportion of your capital gains base cost (the original cost of your shares). To simplify the process of calculating the correct proportion of the capital gains base cost the Inland Revenue have agreed a formula.

Application of this formula means that the proportion of the base cost used in the capital gains calculation for the first distribution should be 79.3%. If you wish to understand how this is calculated please see the section entitled Inland Revenue Agreement below.

To calculate your capital gain or loss you need to take the following steps:

*Step 1:* Find out the price you paid for your shares (or the average if bought at different times) – THE BASE COST

*Step 2:* Multiply your base cost by 0.793 – THE PROPORTION OF YOUR BASE COST

*Step 3:* From the first distribution of 200 p subtract the PROPORTION OF YOUR BASE COST calculated in Step 2. This is your capital loss or gain. If you have a capital gain, you may be entitled to further relief by way of indexation allowance or taper relief. In these circumstances it is recommended that you consult your professional adviser.

### Inland Revenue Agreement

As the calculation of the proportion of base cost attributable to each distribution depends on the market value of the shares after the distribution, the Inland Revenue has agreed a simple formula to arrive at an estimate of this. Because the shares were listed until shortly before the first distribution, the formula is based on the average of the closing share price of the shares over the five business days ending 27 December 2002, less the actual cash paid out on the first distribution. The average closing share price so calculated was 252.3 p and therefore the proportion of your base cost used in the first capital gains computation should be 79.3%.

Shareholders are still able to negotiate their own market values and base cost proportions directly with the Inland Revenue outside the above agreement if they so wish. If Shareholders have any queries on the above they should consult their own professional advisers.

Note:

1. The purchase price of shares in the Railtrack Share Offer in May 1996 was 390 pence (380 pence if purchased in the UK Public Offer, 365 pence if purchased in the UK Public Offer with Instalment Discount).
2. "Free" bonus shares distributed to eligible shareholders in June 1999 are deemed to have been purchased at the market price of the shares as at 31 May 1999, which was 1279 pence per share.