Letter from the Joint Liquidators of RT Group PLC

RT GROUP PLC

(In Members' Voluntary Liquidation)

18 August 2003

Dear Shareholder,

On 10 January 2003, the Joint Liquidators made a first distribution to the Company's shareholders of 200 pence per share. In our letter relating to that distribution we stated that the amount and timing of further distributions depended 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 might become involved. Following the first distribution made to shareholders on 10 January 2003, the Joint Liquidators are pleased to report that the voluntary liquidation is proceeding in line with our expectations. **Accordingly, we are now in a position to make a second distribution of 43 pence per share to those shareholders who appeared on the Company's share register on 1 August 2003.**

The Joint Liquidators made the first distribution of 200 pence per share in January 2003 with an expectation of being able to return to shareholders between 252 and 260 pence per share in total. Following this second distribution, the Joint Liquidators will have distributed a total of 243 pence per share in the liquidation. Subject to the Company's remaining assets being realised as expected, no further liabilities arising, existing liabilities remaining within expectation, and the Company not becoming involved in extensive litigation, we would expect to return to shareholders the bulk of the Company's remaining assets (after the second distribution referred to in this letter has been made) by the end of 2003.

This letter explains the progress of the liquidation since 10 January 2003, 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

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 made an application for a court-approved reduction of capital. The Court Order was obtained on 21 February 2003, following the withdrawal of an objection to the capital reduction by a third party. This settlement and reduction of capital resulted in Marconi ceasing to be a shareholder in Ultramast. RTS's resulting 100% interest in Ultramast was then sold on 15 May 2003. Under the terms of the Ultramast sale, 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.

Disposal of RT Group Developments Limited ("RDL")

The sale of the entire share capital of RDL to Hammerson plc completed as contracted on 28 February 2003 for a total consideration of £63 million. 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.

Identification of liabilities

The Joint Liquidators and their lawyers have continued to carry out enquiries to identify potential 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 first distributions to shareholders.

Application to the High Court

On 29 July 2003, the Joint Liquidators made a further 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 second distribution to shareholders. The Vice Chancellor, Sir Andrew Morritt, directed and authorised the Joint Liquidators to distribute 43 pence per share to the Company's shareholders.

Distributions to shareholders

Second instalment

In accordance with the directions of the High Court the Joint Liquidators are now returning a second instalment of 43 pence per share to those shareholders who appeared on the Company's share register on 1 August 2003. 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 1 August 2003.

Further instalments

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, and we expect to distribute the bulk of the remainder by the end of 2003.

Retention

As detailed in our letter of 10 January 2003, 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.

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 be 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 is set out in the appendix to this letter. 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 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.

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 anticipate sending 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.

Further information and queries

If you have further questions, please call our helpline on 0870 702 0104, or visit the Company's website, www.rtgroup.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)

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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, i.e. 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 second distribution of 43 pence per share should be 17.0%. 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 in respect of the second distribution 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 0.170 – THE PROPORTION OF YOUR BASE COST

Step 3: From the second distribution of 43p 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.

Please note that we expect to make further distributions in the current (2003/4) tax year on which you may also make a capital gain or loss. Your capital gain or loss on the first distribution of 200 pence per share accrued in the 2002/3 tax year.

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. The average closing share price so calculated was 252.3p and therefore the proportion of your base cost used in the capital gains computation in respect of the second distribution should be 17.0%.

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.