

Letter from the Joint Liquidators of RT Group PLC

RT GROUP PLC *(In Members' Voluntary Liquidation)*

24 December 2004

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 have already made two distributions to shareholders totalling £2.43 per share. We are very pleased to announce a third distribution of 9p per share to bring the total distribution to £2.52 per share so far. A cheque in respect of your entitlement to this third distribution is enclosed. At the start of the liquidation, the initial estimate of the total distribution was between £2.52 and £2.60 per share.

The Joint Liquidators are required to summon a general meeting of the Company following the end of the second 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 second year of the liquidation.

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

We would like to draw your attention to the following receipts and payments which have occurred during the year.

1.1 RECEIPTS

Bank Interest Gross - £3,579,351

During the year, changes to the Insolvency legislation allowed us to withdraw the funds previously held in the Bank of England Insolvency Services Account in order to achieve a higher rate of interest with a clearing bank. The funds held in the liquidation account are earning interest at the rate of 4.85% gross per annum, currently.

VAT Repayments and Refunds - £2,036,935

This includes a receipt of £1,672,331 in respect of an amount mentioned in our letter of 15 December 2003 as agreed but not paid. It was agreed during the year that there was no liability due to Customs in respect of VAT accounting periods prior to liquidation. Detailed correspondence and discussions took place with Customs concerning the recovery of VAT on liquidation expenses. A written agreement was made with Customs in March this year which has resulted in the recovery of the majority of the VAT incurred on the liquidation expenses. The company has been deregistered with effect from 1 January 2004 and we have also agreed refunds of VAT incurred since that date. We expect to receive further refunds during the liquidation period of the VAT incurred on the liquidation expenses.

Sundry Receipts - £21,494

These include a balance of £16,978 received following the sale of Ultramast Limited.

1.2 PAYMENTS

Professional Fees - £283,319

These include payments of £243,588 to the Company's lawyers, Ashurst, who have continued to act in connection with 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. Fees totalling £39,731 have been paid to other advisers.

Share Registrar Fees - £47,960

This payment relates to services not covered under the negotiated rate for the Registrar's fees until the closure of the liquidation. The Company now has approximately 224,000 shareholders.

Inland Revenue - £3,176,750

Income tax of £592,750 was deducted at source from the funds held in the Bank of England Insolvency Services Account. A further tax payment of £2,584,000 was made in respect of the year ended 17 October 2003.

2 JOINT LIQUIDATORS' REMUNERATION AND DISBURSEMENTS

A resolution was passed on 18 October 2002 that the remuneration of the Joint Liquidators should be fixed at their normal charging rates by reference to the time properly given to matters arising in the winding up. The Joint 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 second 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	106.3	Partners	161.5
Litigation/Legal issues	58.2		
Creditor & employee issues	35.6	Directors	340.1
VAT	146.8		
Tax	595.4	Managers	655.9
Shareholder issues, distributions, meetings etc.	367.1		
Investment of funds, cashiering, bank issues	75.2	Associates	298.9
Record maintenance, administration and compliance	71.8		
Total Hours	1,456.4	Total Hours	1,456.4
Total Cost	£567,934		

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

The Joint Liquidators' disbursements during the second year of the liquidation totalled £12,581. Of these, £10,941 represents a payment to Bingham McCutcheon LLP in respect of their legal fees and disbursements in advising the Joint Liquidators. The balance is made up of other out of pocket expenses such as courier charges, taxis and train fares.

In accordance with the resolution passed on liquidation, we have drawn remuneration of £567,934 and disbursements of £12,581 during the year. The major tasks we have performed have included the matters shown below.

2.1 Disposal of RT Group Developments Limited ("RDL")

Following the sale of RDL to Hammerson plc on 28 February 2003, a sum of £5 million was placed in an escrow account to cover possible claims by Hammerson plc under the terms of the contract. A claim was made against these funds and, following detailed negotiations, the matter has been concluded with a payment of £1.4 million to settle the claim. We have managed to secure the release of the balance of £3.6 million plus interest. These funds are currently held by RT Group Holdings Limited, a subsidiary of the Company.

2.2 Tax Issues

During the year, we have made significant progress in bringing the tax affairs for the group to a close. This has involved negotiations with several Inland Revenue departments on a number of complex issues. We have also negotiated several outstanding items with Network Rail, Hammerson plc and Jarvis plc, the buyers of the various group businesses. We continue to negotiate with the Inland Revenue to close all periods up to 31 March 2003.

2.3 Distributions to 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. The third payment of 9p per share is announced today and a cheque representing your entitlement is attached. We have now returned a total of £1,309,491,989 to shareholders.

3. FUTURE DISTRIBUTIONS TO SHAREHOLDERS

Following the third distribution to shareholders, we are holding £46,064,152 in the liquidation account. This is primarily a reserve against tax liabilities and a general contingency reserve. The timing of a fourth distribution 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 any further 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 a further 5 to 8 pence per share. Dependent on the negotiations with the Inland Revenue, we hope to distribute the bulk of the remainder during 2005.

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

The Company's shares are no longer listed on the London Stock Exchange. Private transfers of the Company's shares may not take place without the consent of the Liquidators. If a request is made for the Liquidators' consent, 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 enclose a ShareGift transfer form, should you now wish to donate any future entitlement to distributions in the liquidation to this charity. Once the transfer is completed, any future distributions will be made to ShareGift. Further information is available on 0870 702 0104. There is no administration fee in respect of a transfer of your shares to ShareGift.

6 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 Appendix 2 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.

7 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.

8 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)

APPENDIX 1

**RT GROUP PLC (IN MEMBERS' VOLUNTARY LIQUIDATION)
JOINT LIQUIDATORS' RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 17 OCTOBER 2004**

	Year to 17.10.04	Period
	£	18.10.02 to 17.10.04
RECEIPTS	£	£
Cash at Bank		1,225,727,699
Intercompany - RT Group Holdings Limited		118,000,000
Investment Income		13,478,297
Bank Interest Gross	3,579,351	8,032,910
Receipt re surrender of tax losses		1,539,425
VAT Repayments and Refunds	2,036,935	3,516,919
Retention Account Payment		991,188
Intercompany - Others		549,003
Sundry receipts	21,494	64,210
	<u>5,637,780</u>	<u>1,371,899,651</u>
PAYMENTS	£	£
Professional Fees	283,319	3,954,226
Registrar Fees	47,960	2,770,515
Pre-appointment creditors		1,882,988
Liquidators' Fees	567,934	1,698,767
VAT Payments	157,303	1,058,330
Inland Revenue	3,176,750	3,887,303
Payment for tax relief		500,000
Liquidators' Disbursements	12,581	376,172
Intercompany		347,871
Customs & Excise		347,637
Sundry Payments	72,463	177,615
Statutory Advertising		63,502
	<u>4,318,310</u>	<u>(17,064,926)</u>
		1,354,834,725
ORDINARY SHAREHOLDERS		
First Distribution		1,039,279,356
Second Distribution		223,445,062
		<u>(1,262,724,418)</u>
BALANCE		£ 92,110,307

APPENDIX 2 – 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 third distribution of 9 pence per share should be 3.6%. 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 per share in respect of the third 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 0.036 – THE PROPORTION OF YOUR BASE COST
- Step 3:* From the third distribution of 9p 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. 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 third distribution should be 3.6%.

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.

RT GROUP PLC
(IN MEMBERS' VOLUNTARY LIQUIDATION)

*(Incorporated and registered in England and Wales under the Companies Act 1985 with
registered number 2904614)*

NOTICE TO SHAREHOLDERS OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that, pursuant to Section 93 of the Insolvency Act 1986, a **GENERAL MEETING** of RT Group PLC (In Members' Voluntary Liquidation) will be held at The Insurance Hall, The Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on 17 January 2005 at 11.30 am. This meeting is summoned by the Joint Liquidators of the Company for the purpose of receiving an account of the Joint Liquidators' acts and dealings and of the conduct of the winding up during the second year of the liquidation.

The meeting will also consider and, if thought fit, pass the following resolution, which will be proposed as an Ordinary Resolution:

Ordinary Resolution

"THAT the remuneration and disbursements of the Joint Liquidators of the Company for the second year of the liquidation be approved".

A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this notice. Instructions for use are shown on the form.

Dated: 24 December 2004



J R D Smith
Joint Liquidator

