

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action to take you are recommended to seek your own personal financial advice from your stockbroker, solicitor, accountant, bank manager or other independent professional adviser who, if you are in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 or, if you are not in the United Kingdom, from another appropriately authorised independent financial adviser. The action to be taken by Shareholders is set out in paragraph 10 of Part 1 of this document.

If you have sold or otherwise transferred all of your Ordinary Shares prior to 5.30 p.m. on 3 September 2010, you should send this document together with the accompanying Form of Proxy and Form of Election to the purchaser or transferee of those shares or to the stockbroker, solicitor, accountant, bank manager or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred part of your holding in your Ordinary Shares, please consult the stockbroker bank or other agent through or by whom the transfer or sale was effected.

Application will be made for the New Ordinary Shares issued under the proposed Share Capital Consolidation to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 3 September 2010 and that listing of the New Ordinary Shares will become effective and dealings in them will commence on AIM at 8.00 a.m. on 6 September 2010.

No application will be made to the London Stock Exchange for any of the B Shares or Deferred Shares to be admitted to AIM, nor will the B Shares or Deferred Shares be admitted to trading on any other recognised investment exchange



Randall & Quilter Investment Holdings PLC

(Registered in England and Wales with the company number 03671097)

Proposed Return of Cash to Shareholders of 2.9 pence per Existing Ordinary Share

by way of One B Share for each Existing Ordinary Share, a 91 for 94 Share Capital Consolidation

and

Notice of General Meeting

This document should be read as a whole and in conjunction with the accompanying Form of Proxy and Form of Election. In particular you should read Part 2 of this document (Risk Factors) for a discussion of certain risks and other factors in connection with holding shares in the Company and the Return of Value. Your attention is drawn to the letter from the Chairman of the Company set out in Part 1 of this document which contains the recommendation by the Directors to Shareholders to approve the Return of Value by voting in favour of the relevant resolutions to be proposed at the General Meeting, referred to below. You should note that the Return of Value is conditional upon, among other things, the approval by Shareholders of resolution 1 which is to be proposed at the General Meeting, and is conditional upon Admission.

The General Meeting of the Company, (notice of which is set out in Part 10 of this document), at which the Return of Value will be considered, will be held at the registered office of the Company at 9-13 Fenchurch Buildings, London EC3M 5HR on 3 September 2010 at 10.00 a.m. A Form of Proxy for use at the General Meeting is enclosed with this document. To be valid, a Form of Proxy should be completed and returned in accordance with the instructions thereon so as to reach Computershare Corporate Actions Projects, Bristol BS99 6AH as soon as possible, but in any event not later than 10.00 a.m. on 1 September 2010. If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to Computershare Registrars (CREST participant ID: 3RA50) so that it is received not later than 10.00 a.m. on 1 September 2010. The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you so wish.

A Form of Election for use by Shareholders (other than certain Overseas Shareholders) in connection with the B Share Alternatives is enclosed with this document with a reply-paid envelope. To be valid, Forms of Election must be returned so as to be received by Computershare Registrars as soon as possible and in any event no later than 4.30 p.m. on 3 September 2010. Shareholders electing through CREST should not complete a B Share Form of Election but instead refer to paragraph 2 of Part 3 of this document. Shareholders in the United States, Canada and Australia will not have the ability to elect between the B Share Alternatives and will be deemed to have elected for the Dividend Alternative.

Numis Securities Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting as Nominated Advisor to the Company and is acting for no-one else in connection with the Return of Value or any other matter referred to in this document, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities Limited nor for providing advice to any other person in relation to the Return of Value or any other matter referred to in this document.

CONTENTS

	<i>Page</i>
Expected Timetable of Principal Events	3
Part 1: Letter from the Chairman of Randall & Quilter.....	4
Part 2: Risk Factors.....	10
Part 3: Making Your Election	13
Part 4: Questions and Answers.....	17
Part 5: Summary of the Principal Terms and Conditions of the Return of Value	20
Part 6: Rights and Restrictions Attached to the B Shares.....	28
Part 7: Rights and Restrictions Attached to the Deferred Shares.....	30
Part 8: United Kingdom Taxation in Relation to the Return of Value	32
Part 9: Additional Information	35
Part 10: Notice of General Meeting.....	37
Definitions.....	41

Shareholders are advised to read this document carefully. If you require assistance in completing the Form of Proxy or the Form of Election or require additional Forms of Proxy or Forms of Election, please call Computershare Registrars on 0870 707 1681 and if phoning from outside the UK +44 (0)870 707 1681. For legal reasons, Computershare Registrars will not be able to give advice on the merits of the Return of Value or to provide legal, financial or taxation advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publishing and posting of this document to Shareholders	18 August 2010
Latest time for receipt of Forms of Proxy and CREST proxy instructions forms for General Meeting	10.00 a.m. on 1 September 2010
General Meeting	10.00 a.m. on 3 September 2010
Latest time and date for receipt of Forms of Election and TTE instructions from CREST holders in respect of the 'B' Share Alternatives	4.30 p.m. on 3 September 2010
Latest time and date for dealing in Existing Ordinary Shares	4.30 p.m. on 3 September 2010
Record time for the Return of Value and Share Capital Consolidation	5.30 p.m. on 3 September 2010
New Ordinary Shares admitted to trading on AIM, dealings in New Ordinary Shares commence, CREST accounts credited with New Ordinary Shares and B Shares issued	8.00 a.m. on 6 September 2010
Dividend Alternative declared and B Shares in respect of which Dividend Alternative is payable convert into Deferred Shares	10 September 2010
Redemption of B Shares in respect of which Capital Alternative made	10 September 2010
Despatch of share certificates for New Ordinary Shares and cheques in respect of the Dividend Alternative and/or Capital Alternative, as appropriate and CREST accounts credited in respect of the Dividend Alternative and/or Capital Alternative as appropriate	By 14 September 2010

Notes:

1. All references to time in this document are to London time unless otherwise stated.
2. The dates and times given in this document are based on the Company's current expectations and may be subject to change. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.

PART 1

LETTER FROM THE CHAIRMAN OF RANDALL & QUILTER

Randall & Quilter Investment Holdings PLC

(Registered in England and Wales with company number 03671097)

Directors:

Ken Randall *(Chairman and Chief Executive Officer)*
Alan Quilter *(Finance Director)*
Paul McNamara *(Non-Executive Director)*
Michael Smith *(Non-Executive Director)*
Jo Welman *(Non-Executive Director)*

Registered office:

9-13 Fenchurch Buildings
London
EC3M 5HR

18 August 2010

To Shareholders and, for information only, to the participants in the Randall & Quilter Long Term Incentive Plan

Dear Shareholder,

**Proposed Return of Value to Shareholders of 2.9 pence
per Existing Ordinary Share**

1. INTRODUCTION

In addition to generating cash profits from the Group's Insurance Services and Captives divisions, the Company aims to make capital extractions from its insurance investments by managing down the liabilities of its insurance company portfolio and seeking regulatory approval for the release of surplus capital. The quantum and timing of these capital extractions is by nature uncertain but as illustrated by the release of £11 million from Chevanstell Limited in 2008, these extractions can be significant.

As highlighted in the results for the six months ending 30 June 2010, applications for capital extractions from two of the owned insurance companies are currently being processed. Continuing progress in managing down the liabilities and enhancing the capital efficiency of the portfolio by intra group transfers also bodes well for further releases in the future.

To reflect the source of profits being generated by the Group and to increase the flexibility of the method by which capital is returned to Shareholders, the Company is proposing to make a return of cash to shareholders through the issue of B Shares and the Share Capital Consolidation. The proposed Return of Value is in place of the interim dividend for the 2010 year but the Company may choose to make future returns of value in addition to or instead of ordinary dividend payments, whilst maintaining its stated policy to grow total cash returns to shareholders by at least 5 per cent. per annum from the base level of 7.0 pence per share paid for the financial year ended 2009.

As a result of this, the Company proposes, subject to Shareholder approval, to return approximately £1.6 million to Shareholders. The precise amount of the Return of Value will depend on the number of Existing Ordinary Shares in issue at the Record Time (being 5.30 p.m. on 3 September 2010). However, based on the number of Existing Ordinary Shares in issue at 5.00 p.m. on 16 August 2010 (being the latest practicable date prior to the printing of this document), the Return of Value would amount to £1.6 million in total.

The Return of Value is being effected by a structure involving the issue to Shareholders of B Shares. This method of returning value to Shareholders has been chosen because it gives Shareholders, where eligible under their prevailing tax regime, the flexibility to receive their cash under the Return of Value either as capital or income for tax purposes, or a combination of the two.

It is also intended that the market price of the Ordinary Shares should remain approximately equal before and after the return, subject to market movements. The Company therefore proposes to effect the Share Capital Consolidation which will reduce the number of Ordinary Shares in issue by approximately the same percentage as the Return of Value bears to the market capitalisation of the Company.

This document sets out details of the Return of Value and explains why the Directors consider it to be in the best interests of the Company and its Shareholders as a whole.

The Return of Value requires the approval of Shareholders. These approvals will be sought at a general meeting of the Company which will be held at its registered office at 9-13 Fenchurch Buildings, London EC3M 5HR at 10.00 a.m. on 3 September 2010. The notice of the General Meeting is set out in Part 10 of this document.

Shareholders should read the whole of this document and not just rely on the summarised information set out in this Part 1.

2. DETAILS OF THE RETURN OF VALUE

The proposed Return of Value will return 2.9 pence per Existing Ordinary Share to Shareholders. This represents approximately £1.6 million in total.

Under the terms of the proposed Return of Value, Shareholders will receive:

- **1 B Share for every Existing Ordinary Share; and**
- **91 New Ordinary Shares for every 94 Existing Ordinary Shares.**

The main features of the Return of Value, and the choices available to Shareholders, are summarised in paragraphs 3 and 4 of this Part 1 below.

The B Shares will have a nominal value of 2.9 pence each and will be paid up out of the Company's share premium account. The actual aggregate nominal value of the B Shares issued will depend on the number of Existing Ordinary Shares in issue at the Record Time (which is expected to be 5.30 p.m. on 3 September 2010).

The B Shares will not be listed or admitted to trading on AIM or on any recognised investment exchange. Shareholders should note that the B Shares will have limited rights. The rights and restrictions attached to the B Shares are set out more fully in Part 6 of this document.

Under the Share Capital Consolidation, Existing Ordinary Shares will be replaced by New Ordinary Shares to reflect the Return of Value. Subject to normal market movements, this is intended to make the market price per Ordinary Share and other Company data such as earnings and dividends per Ordinary Share comparable before and after the Return of Value. New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and except as disclosed herein, and subject to the rights of the B Shares, the New Ordinary Shares will be equivalent in all material respects to the Existing Ordinary Shares, including in respect of dividend, voting and other rights.

Based on the closing middle market price of 91 pence per Existing Ordinary Share on 16 August 2010 (the date on which the Share Capital Consolidation ratio was determined), the proposed Return of Value equates to approximately 3.2 per cent. of the Company's market capitalisation at that date. As a result of the Share Capital Consolidation, the issued share capital of the Company will be reduced by a broadly equivalent amount with Shareholders receiving 91 New Ordinary Shares for every

94 Existing Ordinary Shares held at the Record Time. Further information on the Share Capital Consolidation is set out in paragraph 4 of this Part 1.

Following the Capital Reorganisation, New Ordinary Share certificates will be issued to Shareholders who hold their Existing Ordinary Shares in certificated form, and the CREST accounts of Shareholders who hold their Existing Ordinary Shares in uncertificated form will be credited with New Ordinary Shares.

3. B SHARE ALTERNATIVES

Each Shareholder will be entitled as part of the Return of Value to receive 2.9 pence in cash for each Existing Ordinary Share held at the Record Time (which is expected to be 5.30 p.m. on 3 September 2010).

Each Shareholder (with the exception of certain Overseas Shareholders resident in any of the Restricted Territories) will be able to choose between two alternatives as to how the 2.9 pence cash for each Existing Ordinary Share is received. Shareholders (other than those resident in any of the Restricted Territories) can choose any combination of the two alternatives.

Shareholders resident in any of the Restricted Territories will automatically receive the Dividend Alternative.

The two alternatives are summarised below and explained in further detail in Part 3 of this document.

Dividend Alternative

If you choose this alternative in respect of some or all of your B Shares you will receive a single dividend of 2.9 pence in cash per B Share in respect of those B Shares, following which those B Shares will be converted into Deferred Shares. The dividend will become payable on each such B Share on 10 September 2010 and the amount of the dividend is expected to be paid to Shareholders by 14 September 2010.

The cash received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident shareholders should read Part 8 of this document for further information.

Capital Alternative

Shareholders who elect for the Capital Alternative in respect of some or all of their entitlement will receive one B Share for each Existing Ordinary Share they hold at the Record Time.

It is expected that each such B Share issued to satisfy valid elections under the Capital Alternative, will be redeemed by the Company for 2.9 pence per B Share on 10 September 2010 and that the redemption proceeds will be sent to Shareholders by 14 September 2010. Each such B Share will be cancelled on redemption.

The amounts received under the Capital Alternative upon redemption of the B Shares should generally be taxed as capital for UK tax purposes. UK tax resident shareholders should read Part 8 of this document for further information.

The Capital Alternative is not being offered to Shareholders in any of the Restricted Territories. The attention of Overseas Shareholders is drawn to paragraph 5 of Part 5 of this document.

4. SHARE CAPITAL CONSOLIDATION

The Return of Value represents approximately 3.2 per cent. of the Company's market capitalisation on 16 August 2010 based on the closing middle market price of 91 pence per Existing Ordinary Share on that date. The Share Capital Consolidation will reduce the number of ordinary shares in issue by approximately the same percentage as the Return of Value bears to the market capitalisation of the Company at the close of business on 16 August 2010.

For every 94 Existing Ordinary Shares held at the Record Time (expected to be at 5.30 p.m. on 3 September 2010) Shareholders will receive 91 New Ordinary Shares. The intention is that, subject to market movement, the market price per New Ordinary Share immediately after Admission should be approximately equal to the market price per Existing Ordinary Share immediately prior to the Return of Value.

The New Ordinary Shares will be traded on AIM in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including as to dividend, voting and other rights. Admission is expected to take effect from 8.00 a.m. on 6 September 2010. It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders who hold their Existing Ordinary Shares in certificated form by 14 September 2010. The CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST will be credited with New Ordinary Shares at approximately 8.00 a.m. on 6 September 2010.

A fractional entitlement will arise as a result of the Share Capital Consolidation unless a holding of Existing Ordinary Shares is exactly divisible by 94. For example, a Shareholder holding 100 Existing Ordinary Shares would, after the Share Capital Consolidation, be entitled to 96 New Ordinary Shares and a fractional entitlement to $\frac{3}{7}$ of a New Ordinary Share.

These fractional entitlements will be aggregated and sold in the market on behalf of the relevant Shareholders and the proceeds of the sale will be retained by the Company. All fractional entitlements will be less than £1.

5. RANDALL & QUILTER LONG TERM INCENTIVE PLAN

The effect of the Share Capital Consolidation should be broadly to preserve the value of each Ordinary Share under option immediately before the Return of Value subject to any normal market fluctuations. As a result, the value of each option under the Long Term Incentive Plan should remain broadly unchanged. Therefore following the Return of Value no adjustments are proposed to be made to options subsisting under the Long Term Incentive Plan.

Further details of the implications of the Return of Value on options that have been made under the Long Term Incentive Plan are set out in paragraph 8 of Part 5 of this document.

6. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Return of Value

A number of consequential amendments to the Articles of Association are required in order to implement the Return of Value. These include amending the Articles of Association to include the rights and restrictions attaching to the B Shares and the Deferred Shares. Further details of these changes are set out in Parts 6 and 7 of this document.

7. CURRENT TRADING AND PROSPECTS

The Company has announced today its interim results for the six months ended 30 June 2010. The attention of shareholders is drawn to those results. In particular, following a strong pre-tax profit for the half year of £5.8 million, the Company looks forward to the full year results with some confidence. The Company does not however expect the relatively strong investment performance in the first half to be repeated in the second half, given that interest rates and corporate bond spreads have moved to unexpectedly low levels. Any further profit commission in respect of syndicate 3330 in the remainder of the year is also likely to be significantly lower.

Beyond the current year, weak investment returns look set to continue to impact on the overall Group results but the service businesses are in good shape and these reliable profit streams (unaffected by investment returns) will enable the Group to maintain its stated policy to grow total cash returns to shareholders by at least 5 per cent. per annum.

The Company remains optimistic that the development of its new underwriting management and 'live' servicing operations and its ability to find and execute value enhancing acquisitions will also provide further opportunities for growth in profitability.

8. GENERAL MEETING

You will find set out in Part 10 of this document a notice convening a general meeting of the Company to be held at the registered office of the Company at 9-13 Fenchurch Buildings, London EC3M 5HR at 10.00 a.m. on 3 September 2010. The General Meeting is being held for the purpose of approving the Return of Value.

Four resolutions will be proposed at the General Meeting. Resolutions 1, 3 and 4 will be proposed as special resolutions (the passing of which requires not less than 75 per cent. of the votes cast to be in favour), and resolution 2 as an ordinary resolution (the passing of which requires more than 50 per cent. of the votes cast to be in favour).

Further information relating to the General Meeting and the resolutions to be proposed at the meeting is set out in paragraph 9 of Part 5 of this document.

9. OVERSEAS SHAREHOLDERS

The attention of Overseas Shareholders is drawn to the information set out in paragraph 5 of Part 5 of this document.

10. ACTION TO BE TAKEN

Form of Proxy

You will find enclosed with this document a reply paid Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed thereon, to Computershare Corporate Actions Projects, Bristol BS99 6AH as soon as possible and in any event no later than 10.00 a.m. on 1 September 2010. Completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person should you wish to do so.

Form of Election

A Form of Election for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the B Share Alternatives is enclosed with this document. To be valid, Forms of Election must be validly completed and returned so as to be received by Computershare Registrars by no later than 4.30 p.m. on 3 September 2010. If Shareholders do not use the envelope provided, the Form of Election should be sent by post to Computershare Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, and postage will be payable. Full details on how to complete the Form of Election are set out in Part 3 of this document. Overseas Shareholders who are resident in any of the Restricted Territories will not be sent a Form of Election and will be deemed to have elected for the Dividend Alternative in respect of their Share Entitlement.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent a Form of Election and may only elect in respect of the B Share Alternatives through CREST. Please see paragraph 2 of Part 3 of this document for further information.

Shareholders (other than Overseas Shareholders in a Restricted Territory) who do not complete and return a valid Form of Election or TTE instruction by 4.30 p.m. on 3 September 2010 will be deemed to have elected for the Capital Alternative in respect of their entire entitlement to B Shares.

Details of how to complete and return your Form of Election are set out in Part 3 of this document.

11. RECOMMENDATION

The Board considers the terms of the Return of Value and the resolutions to be proposed at the General Meeting to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the resolutions to be proposed at the General Meeting as the Directors intend to do in respect of their own holdings amounting to 26,697,500 Existing Ordinary Shares in aggregate, representing approximately 47.75 per cent. of the current issued share capital of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ken Randall', written in a cursive style.

Ken Randall
Chairman

PART 2

RISK FACTORS

This Part 2 describes the risks associated with holding shares in the Company, the industry in which it operates and the Return of Value. Generally, the Group is subject to risk factors both internal and external to its businesses.

The factors below should not be read in isolation but should be considered by Shareholders together with all other information contained in this document before making any decisions in relation to the matters set out in this document. There may also be additional risk factors or uncertainties, currently unknown to the Company or which it currently considers to be immaterial, which may have an adverse impact on the business, results or financial condition of the Group. The material risks known to the Company are summarised below.

1. RISKS RELATING TO THE GROUP AND ITS INDUSTRY

Possible volatility of the price of the Company's Shares

The market price of the New Ordinary Shares may be affected by a variety of factors including, but not limited to, changes in market sentiment regarding the New Ordinary Shares, variations in the Group's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Group's business, or regulatory changes affecting the Group's operations. Shareholders should be aware that the value of the New Ordinary Shares can decrease as well as increase and may not always reflect the underlying asset value or prospects of the Group.

General economic climate and natural disasters

The markets in which the Group operates are directly affected by many national and international factors that are beyond its control. Any one of the following factors, among others, may cause a substantial decline in the financial markets in which the Group operates: legislative, legal and regulatory changes; economic and political conditions in the UK, continental Europe, the US and elsewhere in the world; changes in the supply and demand of capital, industrial disruption, concerns about terrorism and war; the level and volatility of equity, property and commodity markets; the level and volatility of interest rates and foreign currency exchange rates and concerns over inflation and changes in institutional and consumer confidence levels. Uncertain economic prospects or declines in investment markets for any of the foregoing reasons could adversely affect the operations, business and profitability of the Group.

Competition

The Group operates in a competitive environment and faces competition from current and potential competitors. The Group may not be able to compete effectively with such competitors.

Regulatory risks

The insurance industry is heavily regulated in most jurisdictions. The majority of the insurance companies owned by the Group are subject to the insurance regulatory system in the jurisdictions in which they operate. These companies, and any future acquisitions by the Group, may not be able to maintain the necessary licences, permits, authorisations or accreditations in jurisdictions in which they currently engage in business or may only be able to do so only at significant cost. In addition, changes in the laws and regulations to which the Group's insurance operations are subject could have a material adverse affect on the Group's business and may increase the costs of complying with such laws and regulations.

Exposure to litigation

The extent and complexity of the legal and regulatory environment in which the Group operates and the products and services the Group offers mean that many aspects of the business involve substantial risks of liability. Any litigation brought against the Group or any companies within it in future could have a material adverse effect on the Group.

Investment performance will affect the profitability and solvency position of the Group

The insurance companies in run-off owned by the Group will hold significant investments to support their liabilities and their earnings will be affected by the returns achieved on their investment portfolios. Therefore despite the Group's asset and liability management strategies, changes in interest rates, credit ratings and other economic variables could substantially affect the Group's profitability. The capital value of the Group's investments may fall as well as rise and the income derived from them may fluctuate. A fall in such capital values may adversely affect the Group's solvency position.

Industry wide developments could adversely affect the Group's business

The availability and price of insurance coverage and the number and nature of insurance companies entering run-off have been affected in the past by industry wide factors such as asbestos and environmental liability claims, other liability claims such as directors' and officers' liability and medical malpractice, stock market performance, interest rates, the US terror attacks in 2001 and hurricanes Katrina, Rita and Wilma in 2005. Similar or new industry wide factors in future may result in changes in market conditions or governmental intervention in the insurance markets, especially in the US, which may affect the ability of the Group to obtain suitable run-off reinsurance protection or potential businesses or companies for acquisition.

Currency fluctuations

The Group will have businesses with funds, assets, investments and liabilities denominated in currencies other than sterling and may, from time to time, experience losses resulting from fluctuations in the values of euros and other non-UK currencies, which could adversely affect its operating results. Where possible, the Group manages the impact of this risk by broadly matching the currency of assets and liabilities.

Forward-looking statements

This document includes forward-looking statements concerning the Group. Forward-looking statements are based on current expectations and projections about future events. These forward looking statements are subject to risks, uncertainties and assumptions about the Group. Subject to the Company's continuing obligations under the AIM Rules and applicable laws and regulations, the Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Influence of significant shareholders

On 16 August 2010, being the latest date prior to the printing of this document, Ken Randall and his family owned approximately 44 per cent. of the Ordinary Shares. As a result, Ken Randall could exercise significant influence over matters requiring shareholder approval, which, amongst other things, could delay or prevent an outside party from acquiring or merging with the Group, which may reduce the market price of the New Ordinary Shares in future.

2. RISKS RELATING TO THE B SHARES

UK taxation

The general guide on UK taxation in relation to the Return of Value set out in Part 8 of this document is based on current UK tax law and HMRC practice as at the date of this document. The current

legislation and practice may change and any such changes may affect the taxation liabilities of Shareholders in relation to the B Shares.

The attention of Shareholders is drawn to paragraph 5 of Part 8 of this document.

PART 3

MAKING YOUR ELECTION

1. COMPLETING YOUR FORM OF ELECTION

To make an election, Shareholders who hold their Existing Ordinary Shares in certificated form must complete and return the Form of Election enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent a Form of Election and instead should refer to paragraph 2 of this Part 3 for further information.

Shareholders wishing to receive the Capital Alternative in respect of all of their B Shares need NOT complete or return the Form of Election or make an election through CREST. Shareholders resident in any of the Restricted Territories will automatically receive the Dividend Alternative and will not be sent a Form of Election.

The following instructions describe what Shareholders should do when completing a Form of Election. Any decisions reached by Shareholders between the B Share Alternatives should be based on the information contained in this document.

References to Boxes refer to the boxes indicated on the Form of Election.

Name(s) of Shareholder(s)

The Form of Election shows the name of the Shareholder, or names of joint Shareholders, of Existing Ordinary Shares in respect of which an election can be made. When the Form of Election is completed, the Shareholder, or all joint Shareholders, must sign the Form of Election (in Box 3, as applicable) and the signatures of Shareholders who are individuals signing in Box 3A need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Form of Election although one person may separately witness the signature of all joint Shareholders). If the Form of Election is executed under a power of attorney, such power of attorney should be lodged with the Form of Election.

Number of Existing Ordinary Shares held

Box A shows the number of Existing Ordinary Shares in the name(s) of Shareholder(s) at 5.00 p.m. on 16 August 2010 and is for information purposes only. If Shareholders do not purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) between that date and the Record Time (expected to be 5.30 p.m. on 3 September 2010), then this number will also be the number of B Shares that such Shareholder will be entitled to and in respect of which they may make an election. If Shareholders do purchase, sell or transfer any Existing Ordinary Shares they should take care to ensure that their election is in respect of the number of B Shares that will be registered in his/her name at the Record Time.

How Shareholders may elect for one B Share Alternative in respect of all of their Share Entitlement

- To elect for the **Capital Alternative** in respect of all of their Share Entitlement, Shareholders need take no further action.
- To elect for the **Dividend Alternative** in respect of all of their Share Entitlement, Shareholders should mark an "X" in Box 2.

Shareholders may split their B Share Entitlement between the two B Share Alternatives

To split their Share Entitlement between the two B Share Alternatives, Shareholders should enter, in numbers, the number of their B Shares in respect of which they wish to elect for the Capital

Alternative (if any) in Box 1 and the number of their Share Entitlement in respect of which they wish to elect for the Dividend Alternative (if any) in Box 2.

The default position if a Shareholder makes an election which in total exceeds his or her holding of Existing Ordinary Shares at the Record Time

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Form of Election which in total exceeds their holding of Existing Ordinary Shares at the Record Time, or if they mark an “X” in more than one Box, or if they mark an “X” in one or more Boxes and enter a number or numbers in any other Box or Boxes, their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Dividend Alternative; and
- second, their election (if any) in respect of the Capital Alternative.

The default position where a Shareholder makes an election which in total is less than his or her holding of Existing Ordinary Shares at the Record Time

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Form of Election which in total is/are less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Capital Alternative in respect of the balance of their holding.

Subsequent dematerialisation of Existing Ordinary Shares

If the Existing Ordinary Shares to which any election relates are currently held in certificated form and are subsequently dematerialised into uncertificated form before 4.30 p.m. on 3 September 2010, any election made by the submission of a Form of Election will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in uncertificated form in CREST will need to give a valid TTE Instruction in place of the submitted Form of Election by 4.30 p.m. on 3 September 2010.

General

The Directors shall determine all questions as to the form and validity (including time and place of receipt) of any Form of Election in their absolute discretion, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Form of Election completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. The Directors shall not be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Form of Election or TTE Instruction, unless attributable to their own wilful default, fraud or negligence, and the Directors shall not be under any duty to give notification of any defect or irregularity in any Form of Election or incur any liability for failure to give any such notice.

After the end of the Election Period, any election will be irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 4 of Part 5 of this document). No authority conferred by or agreed to by the signing of a Form of Election will be affected by, and all such authority will survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

Final instructions on completing Form of Election

Shareholders returning a Form of Election must sign in Box 3A or 3B, as appropriate.

All Shareholders named on a Form of Election must sign the Form of Election. Once completed, signed and witnessed, the Form of Election should be returned in the pre-paid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Forms of Election must be returned so as to be received by Computershare Registrars by 4.30 p.m. on 3 September 2010. If Shareholders do not use the envelope provided, the Form of Election should be sent by post to Computershare Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business hours) to

Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE and postage will be payable.

Shareholders who do not validly complete and return their Form of Election or, in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid TTE instruction, will be deemed to have elected for the Capital Alternative in respect of all of their Share Entitlement.

2. ELECTING THROUGH CREST

If Shareholders hold their Existing Ordinary Shares in CREST they will not be sent a Form of Election with this document. Such Shareholders should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Existing Ordinary Shares held at the Record Time (expected to be 5.30 p.m. on 3 September 2010) in respect of which they are making an election to an escrow balance, specifying Computershare Registrars in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than 4.30 p.m. on 3 September 2010. If Shareholders purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) before the Record Time, they should take care to ensure that their election is in respect of the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

If Shareholders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Shareholders' participant ID and the member account ID under which their Existing Ordinary Shares are held. In addition, only CREST sponsors will be able to give the TTE Instruction to Euroclear by which Shareholders make their election.

To make an election, Shareholders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction, which must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Existing Ordinary Shares to be transferred to the escrow account;
- (b) the participant ID;
- (c) the member account ID;
- (d) the corporate action ISIN, which is GB00B29H4M52;
- (e) the corporate action number of the Return of Value. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (f) the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than 4.30 p.m. on 3 September 2010;
- (g) the standard delivery instruction priority of 80; and
- (h) the name and contact number inserted in the shared note field.

How to elect for the Capital Alternative

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Capital Alternative in respect of all of their Share Entitlement need take no action. Shareholders who do not give a TTE Instruction will automatically receive the Capital Alternative in respect of all of their Share Entitlement.

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to make an election for the Capital Alternative in respect of some of their B Shares should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

-
- the participant ID of Computershare Registrars, which is RA68; and
 - the member account ID of Computershare Registrars, which for these purposes is RAQCASØ1.

Shareholders who are resident in any of the Restricted Territories will automatically receive the Dividend Alternative.

How to elect for the Dividend Alternative

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Dividend Alternative in respect of some or all of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Computershare Registrars, which is RA68; and
- the member account ID of Computershare Registrars, which for these purposes is RAQDIVØ1.

Shareholders who are resident in any of the Restricted Territories will automatically receive the Dividend Alternative.

The default position where Shareholders make an election which in total is less than their holding of Existing Ordinary Shares at the Record Time

If Shareholders send a TTE Instruction which details a number of Existing Ordinary Shares to be transferred to the escrow account which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Capital Alternative in respect of the balance of their holding.

General

The Company, in its absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any TTE Instruction, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any TTE Instruction completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. The Company and the Directors shall not be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Form of Election or TTE Instruction, unless attributable to their own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any TTE Instruction or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made will be irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 4 of Part 5 of this document). No authority conferred by or agreed to by the giving of a TTE Instruction will be affected by, and all such authority will survive, the death or incapacity of the Shareholder giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

Final instructions on sending a TTE Instruction

In order for an election through CREST to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 p.m. on 3 September 2010.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 p.m. on 3 September 2010.

Shareholders (other than those resident in a Restricted Territory) who do not send a valid TTE Instruction will be deemed to have elected for the Capital Alternative in respect of all of their entitlement to B Shares.

PART 4

QUESTIONS AND ANSWERS

This part of the document sets out some commonly asked questions and provides brief responses. It is aimed particularly at the Company's individual shareholders. Please read both it and the rest of this document carefully. For financial advice, including taxation advice, you will need to consult your own financial and/or taxation adviser.

You should be aware that the Return of Value is conditional upon approval by Shareholders of resolution 1 to be proposed at the General Meeting and upon Admission.

1. What is being proposed?

The Company intends to return to Shareholders 2.9 pence for each Existing Ordinary Share that they hold at the Record Time (expected to be 5.30 p.m. on 3 September 2010). The Return of Value will be made in the form of B Shares. The Company also intends to consolidate all of the Existing Ordinary Shares. This means that for every 94 Existing Ordinary Shares you hold at 5.30 p.m. on 3 September 2010, you will receive 91 New Ordinary Shares in place of your Existing Ordinary Shares and 94 B Shares. Existing Ordinary Shares will be replaced by New Ordinary Shares from 8.00 a.m. on 6 September 2010.

2. What is the impact on the value of my shares in the Company?

While the aggregate value of your Existing Ordinary Shares will be reduced because you will be holding fewer in number (i.e. 91 New Ordinary Shares for every 94 Existing Ordinary Shares held), you will receive 2.9 pence for each Existing Ordinary Share that you hold at the Record Time without the need to sell any shares or incur dealing charges or commissions. **In addition, you will continue to own the same proportion of the Company (subject to fractional entitlements) as you did before.**

The intention of the Share Capital Consolidation is to try to make sure that, subject to normal market fluctuations, the market price of each New Ordinary Share immediately after the Share Capital Consolidation will be approximately the same as the market price of each Existing Ordinary Share immediately before the Share Capital Consolidation.

Under the Share Capital Consolidation, your Existing Ordinary Shares will be exchanged for approximately 3.2 per cent. fewer New Ordinary Shares, where 3.2 per cent. represents approximately the percentage that 2.9 pence bears to the Existing Ordinary Share price of 91 pence as at the close of business on 16 August 2010 (being the date on which the Share Capital Consolidation ratio was determined). Therefore, the value of your holding of New Ordinary Shares plus 2.9 pence per Existing Ordinary Share held at the Record Time should, subject to normal market movements, approximately equal the value of your holding of Existing Ordinary Shares.

In order to calculate the number of New Ordinary Shares and the number of B Shares you will be entitled to receive, divide the number of Existing Ordinary Shares you own by 94 and multiply the result by 91. This will tell you how many New Ordinary Shares you will receive in place of your Existing Ordinary Shares. You will also receive one B Share worth approximately 2.9 pence for every Existing Ordinary Share you own.

A fractional entitlement will arise as a result of the Share Capital Consolidation unless your holding of Existing Ordinary Shares is exactly divisible by 94. For example, a Shareholder holding 100 Existing Ordinary Shares would, after the Share Capital Consolidation, be entitled to 96 New Ordinary Shares and a fractional entitlement to $\frac{3}{7}$ of a New Ordinary Share. All fractional entitlements will be less than £1.

These fractional entitlements will be aggregated and sold in the market on behalf of the relevant Shareholders and the proceeds of the sale will be retained by the Company.

In addition, following the issue of New Ordinary Shares, if you currently hold Existing Ordinary Shares in certificated form you will be issued with a new share certificate in respect of your New Ordinary Shares. Your existing share certificate should then be destroyed. If you currently hold Existing Ordinary Shares in uncertificated form your CREST account will be credited with New Ordinary Shares on 6 September 2010.

3. What choices do I have?

Shareholders have two choices in respect of all of their entitlement to B Shares. Further details of these choices are set out in Part 3 of this document.

You should note that, although the B Shares are transferable, they will not, nor will the Deferred Shares, be listed or admitted to trading on AIM or on any other recognised investment exchange and there will be no formal market for the B Shares or the Deferred Shares. Your ability to sell the B Shares and the Deferred Shares is therefore likely to be limited.

4. What is my tax position?

If you are a Shareholder resident in the UK, a tax liability may arise in respect of your B Shares depending on your individual circumstances. Details of the UK tax implications of the Return of Value are set out in Part 8 of this document.

5. Do I need to do anything?

Yes. The Return of Value needs Shareholder approval before it can take place. In order for the Return of Value to become effective you should exercise your right to vote. You can vote by filling in and returning the enclosed Form of Proxy to Computershare Registrars. Your Board recommends that you vote in favour of the Return of Value. Shareholders are strongly urged to complete, sign and return the enclosed Form of Proxy as soon as possible, so as to be received by Computershare Registrars not later than 10.00 a.m. on 1 September 2010. Alternatively, you can vote in person by attending the General Meeting, which will be held at 10.00 a.m. on 3 September 2010 at the Company's registered office at 13 Fenchurch Buildings, London EC3M 5HR. Notice of the General Meeting is set out in Part 10 of this document.

If approval is not given by Shareholders, the Return of Value will not be implemented.

6. Do I need to complete the Form of Election?

If you wish to receive the Capital Alternative you need not do anything. If you do not complete and return the Form of Election (or if you make an invalid election or fail to sign the Form of Election) you will be deemed to have elected for the Capital Alternative in respect of all of your entire entitlement to B Shares.

You should indicate your choice by completing and signing the enclosed Form of Election and return it so as to be received by Computershare Registrars by not later than 4.30 p.m. on 3 September 2010. Instructions on how to complete the Form of Election are printed on the form itself.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent a Form of Election. They will, however, be able to make their election by way of a TTE instruction through the CREST system to be received by Computershare Registrars by not later than 4.30 p.m. on 3 September 2010. Further information for Shareholders who hold their Existing Ordinary Shares in CREST is contained in Part 3 of this document.

Shareholders resident in any of the Restricted Territories will not be sent a Form of Election and will be deemed to have elected for the Dividend Alternative in respect of their entire Share Entitlement.

7. What happens if I do not get my Form of Election back in time?

If you do not complete and return a valid Form of Election so as to be received by Computershare Registrars by 4.30 p.m. on 3 September 2010 or, if you are a CREST Shareholder and you do not send a valid TTE instruction for settlement by 4.30 p.m. on 3 September 2010, you will be deemed to have chosen to elect for the Capital Alternative unless you are a Shareholder in a Restricted Territory in which case you will receive the Dividend Alternative.

8. My dividends are paid directly into my bank account. Do I need to change the existing instruction?

Your present dividend payment mandate, unless revoked or amended, will be deemed to be valid for dividends from the Company in respect of the New Ordinary Shares.

9. What if I hold options under the Randall & Quilter Long Term Incentive Plan?

A summary of the implications of the Return of Value for holders of options over Ordinary Shares under the Randall & Quilter Long Term Incentive Plan is set out in paragraph 8 of Part 5 of this document. The Share Capital Consolidation should broadly maintain the intrinsic value of options over Ordinary Shares following implementation of the Return of Value.

PART 5

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE RETURN OF VALUE

1. RETURN OF VALUE

The Return of Value comprises the Capital Reorganisation (see paragraph 2 of this Part 5) and the B Share Alternatives (see paragraph 3 of this Part 5) and is conditional, amongst other matters, upon the approval by Shareholders of resolution 1 to be proposed at the General Meeting, and Admission. If these conditions are not satisfied by 8.00 a.m. on 1 November 2010 or such later time and/or date as the Directors may decide, no New Ordinary Shares or B Shares will be created and the Return of Value will not take effect.

2. CAPITAL REORGANISATION

Allotment of B Shares

It is proposed to capitalise a sum not exceeding £1,653,000 standing to the credit of the Company's share premium account which will be applied in paying up in full up to a maximum of 57,000,000 B Shares to be allotted to Shareholders on the basis of one B Share for each Existing Ordinary Share held at the Record Time.

The exact number of B Shares to be issued will be equal to the number of Existing Ordinary Shares held at the Record Time. As at 16 August 2010 (being the latest practicable date prior to the publication of this document) there were 55,913,000 Existing Ordinary Shares in issue and currently exercisable options under the Randall & Quilter Long Term Incentive Plan and other option arrangements giving a right to subscribe for a total of 2,619,500 Existing Ordinary Shares.

Share Capital Consolidation

Under the Share Capital Consolidation, Shareholders will be entitled to receive 91 New Ordinary Shares for every 94 Existing Ordinary Shares held at the Record Time.

The intention is that, subject to normal market movements, the share price of one New Ordinary Share immediately after Admission should be approximately equal to the share price of one Existing Ordinary Share immediately beforehand. The ratio used for the Share Capital Consolidation has been set by reference to the closing middle market price of 91 pence per Existing Ordinary Share on 16 August 2010 (being the latest practicable date prior to the posting of this document). The effect of this will be to reduce the number of issued ordinary shares to reflect the return of 2.9 pence per B Share to Shareholders, but Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements.

To effect the Share Capital Consolidation, it may be necessary to issue a small number of Existing Ordinary Shares so that a whole number of issued New Ordinary Shares is created.

The Share Capital Consolidation will take place immediately after the allotment of the B Shares.

New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including the dividend, voting and other rights. New Ordinary Share certificates will be issued following the Capital Reorganisation.

Holder of Existing Ordinary Shares whose holdings are registered in CREST will automatically have any New Ordinary Shares credited to their CREST account.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM, with admission expected to take place and dealings expected to commence at 8.00 a.m. on 6 September

2010. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system.

Fractional entitlements to New Ordinary Shares

Unless a holding of Existing Ordinary Shares is exactly divisible by 94, a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Capital Consolidation. So, for example, a Shareholder having 100 Existing Ordinary Shares would, after the Share Capital Consolidation, be entitled to 96 New Ordinary Shares and a fractional entitlement to $\frac{38}{7}$ of a New Ordinary Share.

These fractional entitlements of all Shareholders will be aggregated and sold in the market and the proceeds of sale will be retained by the Company. All fractional entitlements will be less than £1.

3. B SHARE ALTERNATIVES

Shareholders may choose the Dividend Alternative or the Capital Alternative or a combination of the B Share Alternatives in respect of their Share Entitlement. Details of how to make your choices are set out in Part 3 of this document and the Form of Election. Shareholders need not make the same choice for their entire entitlement to B Shares and if you wish to choose more than one B Share Alternative, you will need to choose a whole number of your entitlement for each B Share Alternative. Shareholders resident in the Restricted Territories will not be sent Forms of Election and accordingly will be deemed to have elected for the Dividend Alternative in respect of their entire Share Entitlement.

Shareholders who do not complete and return a valid Form of Election or TTE instruction by 4.30 p.m. on 3 September 2010 will be deemed to have elected for the Capital Alternative.

Shareholders are advised to read Part 8 of this document (United Kingdom taxation in relation to the Return of Value) before electing for any of the B Share Alternatives. Shareholders who are in doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

Dividend Alternative

Shareholders who elect, or are deemed to have elected, for the Dividend Alternative in respect of some or all of their entitlement to B Shares will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time. A dividend of 2.9 pence per B Share will be declared on 10 September 2010 and will become payable on each such B Share on 10 September 2010. Shareholders entitled to receive the Dividend Alternative will be sent cheques or, if mandate instructions are held, payments will be made by BACS to mandated accounts in respect of the relevant amount by 14 September 2010.

The amounts received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 8 of this document for further information.

Shareholders who wish to elect for the Dividend Alternative in respect to some or all of their entitlement to B Shares should follow the instructions in Part 3 of this document or, if they hold their Existing Ordinary Shares in CREST, should refer to paragraph 2 of Part 3 of this document for further information.

The B Shares in respect of which the Dividend Alternative has been elected will be automatically reclassified as Deferred Shares, with Shareholders receiving one Deferred Share for each such B Share upon the Dividend Alternative becoming payable. It is currently expected that the Company will

purchase and then cancel the Deferred Shares for an aggregate consideration of 1p on or around 30 September 2010, although there can be no guarantee that the Company will do so. In view of its negligible amount, entitlement to any of the aggregate consideration of 1p will not be sent to individual Shareholders.

Capital Alternative

Shareholders (other than those resident in any of the Restricted Territories) who elect, or are deemed to have elected, for the Capital Alternative will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time.

Where B Shares are issued to satisfy valid elections for the Capital Alternative, each such B Share shall be redeemed by the Company for 2.9 pence per B Share on 10 September 2010. Each such B Share will be cancelled on redemption.

Shareholders entitled to receive payments in respect of the proceeds from the redemption of B Shares issued pursuant to the Capital Alternative will be sent cheques by 14 September 2010 or, if Shareholders hold their Existing Ordinary Shares in CREST, will have their CREST accounts credited, by 14 September 2010. The proceeds received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 8 of this document for further information.

To elect for the Capital Alternative in respect of some or all of their entitlement to B Shares, Shareholders should follow the instructions in paragraph 1 of Part 3 of this document or, if they hold their Existing Ordinary Shares in CREST, should refer to paragraph 2 of Part 3 of this document for further information.

The B Shares and the Deferred Shares will not be listed and cannot be held in CREST. No share certificates will be issued in respect of the B Shares or the Deferred Shares.

The rights and restrictions to be attached to the B Shares and the Deferred Shares are more fully set out in Part 6 and Part 7 of this document.

The attention of non-UK Shareholders is drawn to paragraph 5 of Part 5 of this document.

4. WITHDRAWAL RIGHTS

Shareholders should note that any election, whether made by the signing of a Form of Election or the giving of a TTE Instruction, relating to the B Share Alternatives may be withdrawn by Shareholders at any time prior to the end of the Election Period. If any election is validly withdrawn, the Shareholder may make a new election within the Election Period but, if a new valid election is not made by the end of the Election Period, the Shareholder will be deemed to have elected for the Capital Alternative (unless he is a Shareholder in a Restricted Territory when he will only be entitled to the Dividend Alternative) in respect of all of his/her entitlement to B Shares. After the end of the Election Period, any election made will be irrevocable. If the Election Period is extended, withdrawal rights will also be extended.

Shareholders wishing to withdraw their elections must inform Computershare Registrars. If such Shareholders wish to make a new election in respect of the B Share Alternatives, they can request a replacement Form of Election or receive instructions on how to make a new election through CREST from Computershare Registrars. Shareholders will need to take into account the postal time necessary for a replacement Form of Election to reach Computershare Registrars by 4.30 p.m. on 3 September 2010.

For a withdrawal of any election to be effective, a written notice of withdrawal signed by the person(s) who signed the relevant Form of Election or the Shareholder(s) who gave the relevant TTE Instruction must:

-
- (a) specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number (which, for Shareholders who hold their Existing Ordinary Shares in certificated form, appears on the front page of the relevant Form of Election) and the exact number of their entitlement to B Shares in respect of which an election is to be withdrawn; and
- (b) in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction,

and be received by Computershare Registrars one hour before 4.30 p.m. on 3 September 2010 (expected to be by 3.30 p.m. on 3 September 2010).

Each ESA Message must, in order to be valid and settle, include the following details:

- the ISIN number for the Existing Ordinary Shares. This is GB00B29H4M52;
- the number of Existing Ordinary Shares to be withdrawn;
- the participation ID of the accepting Shareholder;
- the member account ID of the accepting Shareholder;
- the participant ID of the Escrow Agent. This is RA68;
- the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is RAQDIVØ1 for the Dividend Alternative and RAQCASØ1 for the Capital Alternative;
- the CREST transaction ID of the Electronic Acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- input with a standard delivery instruction priority of 80;
- the intended settlement date for the withdrawal; and
- the corporation action number of the Return of Value. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Computershare Registrars verifying that the withdrawal is validly made. Accordingly Computershare Registrars will, on behalf of the Company, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or a receiving agent accept (AEAN) message, as the case may be.

Telex, facsimile, electronic mail or other electronic means of transmission or any form of copy of written notice will not constitute a written instruction of withdrawal.

Withdrawals may not be rescinded but new elections may be made at any time prior to the end of the Election Period. Withdrawals and any new elections in respect of entitlements to B Shares that are received by Computershare Registrars after the end of the Election Period will be deemed invalid. Any Shareholder who withdraws his or her election before the end of the Election Period and does not make a new election will be deemed to have elected for the Capital Alternative in respect of all of his or her Entitlement.

The Company will determine all questions as to the form and validity (including time and place of receipt) of all notices of withdrawal, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any withdrawal by any Shareholder, and such determination will be binding on such Shareholder. None of any member of the Group, Computershare Registrars or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification or for any reason with regard to withdrawal and new election.

5. OVERSEAS SHAREHOLDERS

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the Return of Value will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Shareholder not resident in the United Kingdom or a citizen, resident or national of another country to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Return of Value, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

For regulatory reasons, the Capital Alternative is not being offered to Shareholders resident in a Restricted Territory. Accordingly any purported election by a Shareholder resident in a Restricted Territory will be deemed to be an election for the Dividend Alternative in respect of the entirety of such Shareholder's entitlement to B Shares and the Company shall not be required to take into account any election for any other B Share Alternatives that any Shareholders resident in a Restricted Territory may purport to make. As a result, Shareholders resident in a Restricted Territory will only receive the Dividend Alternative in respect of each of their B Shares (as well as the relevant number of New Ordinary Shares arising under the Share Capital Consolidation).

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Return of Value constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Each Shareholder by whom, or on whose behalf, a Form of Election is executed or TTE Instruction is given irrevocably represents, warrants, undertakes and agrees to and with the Company that such Shareholder has observed the laws of all relevant territories, obtained all requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in connection with any election for either of the B Share Alternatives in any territory and such Shareholder has not taken or omitted to take any action which may result in the Company or any other persons acting in breach of the legal or regulatory requirements of any territory in connection with the Return of Value or such Shareholder's election for either of the B Share Alternatives.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to a Form of Election or TTE Instruction by an Overseas Shareholder, such Overseas Shareholder shall be deemed to have elected to receive the Dividend Alternative (unless the Company otherwise determines in its absolute discretion).

The above provisions of this section may be waived or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

6. DEALINGS AND DESPATCH OF CERTIFICATES OF TITLE

The Return of Value will be made by reference to holdings of Existing Ordinary Shares on the register of members as at the Record Time, which is expected to be 5.30 p.m. on 3 September 2010.

It is expected that dealings and settlement within CREST of the Existing Ordinary Shares will continue until 4.30 p.m. on 3 September 2010 when, in the case of Existing Ordinary Shares held in certificated form, the register of members will be closed for transfers and no further transfers of Existing Ordinary

Shares will be able to be made. The registration of uncertificated holdings in respect of Existing Ordinary Shares will be disabled in CREST from the end of settlement on 4.30 p.m. on 3 September 2010. The New Ordinary Shares are expected to be listed and admitted to trading on AIM at 8.00 a.m. on 6 September 2010, at which time the relevant CREST accounts are expected to be credited with the New Ordinary Shares.

With effect from Admission, existing share certificates for Existing Ordinary Shares will cease to be valid. Share certificates for New Ordinary Shares will only be issued following the Share Capital Consolidation. It is therefore important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being until New Ordinary Share certificates are despatched, which is expected to be by 14 September 2010. On receipt of share certificates in respect of New Ordinary Shares, certificates in respect of Existing Ordinary Shares should be destroyed.

Temporary documents of title will not be issued and, pending despatch of definitive share certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register of members held by Computershare Registrars. No share certificates will be issued by the Company in respect of B Shares and Deferred Shares.

No application has been, or will be, made for the B Shares or Deferred Shares to be traded on AIM or on any recognised investment exchange.

All share certificates and cheques will be sent by post, at the risk of holders entitled thereto, to the registered address of the relevant holders (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register in respect of such joint holding). It is expected that cheques in respect of the proceeds due to Shareholders under the Dividend Alternative will be despatched or CREST accounts of relevant Shareholders credited by 14 September 2010. It is expected that cheques in respect of B Shares redeemed will be despatched to relevant Shareholders or CREST accounts of relevant Shareholders credited by 14 September 2010.

Subject to instructions to the contrary, share registration and dividend payment mandates in respect of holdings of Existing Ordinary Shares will continue to apply in respect of New Ordinary Shares.

7. ADOPTION OF NEW ARTICLES OF ASSOCIATION

A number of consequential amendments to the Articles of Association are required in order to implement the Return of Value. These amendments relate to the creation of the B Shares and Deferred Shares, the rights of which are set out in Parts 6 and 7 of this document. Accordingly the Company proposes to adopt new articles of association at its General Meeting.

8. RANDALL & QUILTER LONG TERM INCENTIVE PLAN

Under the Long Term Incentive Plan, the Company has granted options to selected employees to acquire varying numbers of Ordinary Shares at varying exercise prices.

The Long Term Incentive Plan is divided into three sections. The first section has been approved by HMRC and confers tax advantages on UK participants. The second section is unapproved. The third section complies with US tax legislation with a view to providing tax benefits for US participants. What follows applies equally to all three sections.

The Share Capital Consolidation is designed to ensure that, subject to normal market fluctuations, the value of a New Ordinary Share when dealings in such shares commence will be equal, as nearly as possible, to the value of an Existing Ordinary Share when dealings in such shares cease. Accordingly, no adjustment is required to either the numbers of Ordinary Shares subject to options or the exercise prices of options.

Participants in the Long Term Incentive Plan will not, by virtue of their participation, receive any Return of Value but if they are also shareholders they will do so as shareholders.

The Company has established an employee benefit trust which acquires Ordinary Shares for the purpose of satisfying the exercise of options under the Long Term Incentive Plan. The trust will have the same rights to the Return of Value as any other shareholder.

9. SUMMARY EXPLANATION OF THE GENERAL MEETING RESOLUTIONS

The Return of Value requires the approval of Shareholders at the General Meeting, notice of which is set out in Part 10 of this document.

The General Meeting is being convened for 10.00 a.m. on 3 September 2010 at the Company's registered office at 9-13 Fenchurch Buildings, London EC3M 5HR.

Four resolutions will be proposed at the General Meeting. Resolutions 1, 3 and 4 will be proposed as special resolutions (the passing of which requires not less than 75 per cent. of the votes cast to be in favour), and resolution 2 will be proposed as an ordinary resolution (the passing of which requires more than 50 per cent. of the votes cast to be in favour).

Resolution 1

This resolution is conditional on the New Ordinary Shares being admitted to trading on AIM and sets out the formal mechanics for the implementation of the Return of Value and adopts new Articles of Association:

- (a) this paragraph proposes to increase the share capital of the Company by the creation of up to 57,000,000 B Shares;
- (b) this paragraph proposes to authorise the Directors to:
 - (i) capitalise a sum not exceeding £1,653,000 standing to the credit of the Company's share premium account to pay up in full the B Shares; and
 - (ii) allot and issue the B Shares up to an aggregate nominal amount of £1,653,000 to Shareholders on the basis of one B Share for each Existing Ordinary Share held at the Record Time. The authority granted to the Directors will expire on the earlier to occur of the conclusion of the Annual General Meeting of the Company to be held in 2011 and 30 June 2011;
- (c) this paragraph sets out the procedure for the subdivision and consolidation of the Existing Ordinary Shares into New Ordinary Shares. All fractional entitlements which arise will be aggregated and sold and the net proceeds of sale will be retained by the Company; and
- (d) this paragraph proposes the adoption of new Articles of Association in order to incorporate the rights and restrictions attaching to the B Shares (as set out in Part 6 of this document) and to the Deferred Shares (as set out in Part 7 of this document).

Resolutions 2 and 3

Resolution 2, which is conditional upon resolution 1 being passed and becoming effective, will give the Directors authority to allot New Ordinary Shares: (i) up to an aggregate nominal amount of £372,753; and (ii) a further aggregate nominal amount of £372,753 in connection with a rights issue whereby the shares are offered to holders of equity securities in proportion (as nearly as may be) to their respective existing holdings.

Resolution 3, which is conditional upon resolutions 1 and 2 being passed and becoming effective, will give the Directors authority to allot New Ordinary Shares for cash, free from statutory pre-emption rights. This authority (which in each case assumes implementation of the Share Capital Consolidation) is limited to: (i) allotments in connection with a rights issue, an open offer (or similar offering) whereby the shares are offered to holders of equity securities in proportion (as nearly as may be) to their respective existing holdings; and (ii) otherwise, allotments of equity securities with a nominal amount not exceeding £55,643 in aggregate.

Resolution 4

This resolution, which is conditional upon resolution 1 being passed and becoming effective, seeks authority for the Company to purchase up to 5,412,854 New Ordinary Shares, which represents 10 per cent. of the Company's issued New Ordinary Share capital. The price that may be paid for the shares will be not less than the nominal amount of 2½ pence per New Ordinary Share and not more than the higher of 5 per cent. above the average of the middle market quotations of the New Ordinary Shares, as derived from the London Stock Exchange AIM List, for the five business days prior to any purchase and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

As at the date of the notice of the General Meeting, options granted under the Randall & Quilter Long Term Incentive Plan and other option arrangements were outstanding over 2,619,500 Existing Ordinary Shares, representing approximately 4.7 per cent. of the issued ordinary share capital. If the proposed market purchase authority were used in full, and no further issues of New Ordinary Shares were made, New Ordinary Shares over which options granted under the Randall & Quilter Long Term Incentive Plan were outstanding would represent approximately 5.4 per cent. of the Company's adjusted ordinary share capital.

The Directors will exercise the authority only if they are satisfied that any purchase will increase the earnings per share of the New Ordinary Share capital in issue and will be in the interests of the Shareholders. The Directors will also give careful consideration to the gearing levels of the Company and its general financial position.

PART 6

RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES

The following summarises the rights of the B Shares and the restrictions to which they are subject, which are reflected in the articles of association which are to be adopted as the new Articles of Association of the Company.

ELECTIONS IN RESPECT OF B SHARES

- (A) Shareholders (other than Shareholders in any of the Restricted Territories) will be sent a Form of Election together with this document under which they can elect, in relation to their Share Entitlement, to have them redeemed or to receive the Dividend Alternative.
- (B) Holders of B Shares (other than Overseas Shareholders in any of the Restricted Territories) who have not returned a duly completed Form of Election or provided a TTE instruction through the CREST system by 4.30 p.m. on 3 September 2010 (or such later time and/or date as the Board may determine) will be deemed to have elected to receive the Capital Alternative.
- (C) The Board may, if they so determine in their absolute discretion, accept a Form of Election which is received after the relevant time or which is not correctly completed.
- (D) The Board may make such determinations or arrangements with respect to Forms of Election or the ability of certain Shareholders to elect for the Capital Alternative or the Dividend Alternative as the Board may judge necessary or expedient to deal with legal or practical problems arising in any overseas territory or to deal with the requirements of any regulatory body or stock exchange or with any other matter whatsoever.

DIVIDEND ALTERNATIVE

Shareholders who have elected for the Dividend Alternative shall be entitled to receive, out of the profits available for distribution, a single dividend of 2.9 pence for each B Share elected to be subject to that alternative. Each B Share in respect of which the Dividend Alternative is payable, shall on 10 September 2010 (or such other date as the Board shall determine) be automatically reclassified as a Deferred Share with a nominal value of 2.9 pence. The rights and restrictions attaching to the Deferred Shares are summarised in Part 7 of this document.

REDEMPTION OF B SHARES

Shareholders (other than certain Overseas Shareholders in any of the Restricted Territories) who have elected for the Capital Alternative will have each B Share they have elected to be subject to that alternative redeemed by the Company on 10 September 2010 (or such other date as the Board may determine) for the sum of 2.9 pence per B Share they have elected to be subject to the Capital Alternative. All B Shares which are redeemed will immediately and automatically be cancelled.

CAPITAL – RETURN OF CAPITAL ON WINDING-UP

On a return of capital on winding-up (but in no other circumstances involving a repayment of capital or distribution of assets to Shareholders whether by reduction of capital, redeeming or buying back shares or otherwise), the holders of B Shares will be entitled before any payment to the holders of the New Ordinary Shares or Deferred Shares but after any payment due to the Preference A Shareholder or the Preference B Shareholder, to repayment of the sum of 2.9 pence in respect of each B Share held by them respectively.

The holders of B Shares shall not be entitled to any further right of participation in the assets of the Company. If on a winding-up the amount available for payment is insufficient to cover in full the

amounts payable on the B Shares, the holders of such shares will share on a pro rata basis in the distribution of assets (if any) in proportion to the amounts to which they would otherwise be entitled.

ATTENDANCE AND VOTING AT GENERAL MEETINGS

The holders of unredeemed B Shares shall not be entitled, in their capacity as holders of such B Shares, to receive notice of any general meeting of the Company or to attend, speak or vote at any such general meeting.

CLASS RIGHTS

The Company may from time to time create, allot and issue further shares ranking *pari passu* with or in priority to the B Shares and:

- (A) any and every such creation, allotment or issue of shares (whether or not ranking *pari passu* with or in priority to the B Shares); and
- (B) any and every giving, variation, revocation or renewal of any authority for the allotment of any shares (whether or not ranking *pari passu* with or in priority to the B Shares) pursuant to the Companies Act; and
- (C) the cancellation of the capital paid up on the B Shares on terms that upon such cancellation there is paid to the holder of each B Share so cancelled the sum of 2.9 pence; and
- (D) any and every purchase or redemption of any shares or any reduction of share capital or of share premium account or capital redemption or merger reserve by the Company (other than any redemption, or repurchase of, or reduction of capital on the B Shares otherwise than in accordance with the rights attaching thereto),

shall for all purposes be, and be treated as being, in accordance with the rights attaching to the B Shares and shall not involve a variation of any rights attaching to the B Shares for any purpose.

The allotment and issue of any B Shares shall not constitute a variation of the rights attached to the Preference A Share or the Preference B Share.

FORM, TRANSFERABILITY AND LISTING

The B Shares shall not be renounceable and shall be freely transferable by an instrument of transfer in any usual form or in any other form which the Board may approve. The B Shares will not be listed or admitted to trading on AIM or to trading on any other recognised investment exchange.

PART 7

RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES

The following summarises the rights of the Deferred Shares and the restrictions to which they are subject, which are reflected in the proposed amendments to the Articles of Association.

INCOME

The Deferred Shares shall not be entitled to any right to participate in the profits of the Company.

CAPITAL

On a return of capital on a winding-up (excluding any intra-group re-organisation on a solvent basis) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after:

- (A) first, paying all amounts due to the Preference A Shareholder under Article 4.4.1 of the Articles of Association;
- (B) secondly, paying all amounts due to the Preference B Shareholder under Article 4.10.1 of the Articles of Association;
- (C) thirdly, paying to the holders of the B Shares 2.9 pence per B Share held by them; and
- (D) fourthly, paying to the holders of the New Ordinary Shares the nominal capital paid up or credited as paid up on the New Ordinary Shares held by them respectively, together with the sum of £100 on each New Ordinary Share.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

ATTENDANCE AND VOTING AT GENERAL MEETINGS

The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

CLASS RIGHTS

- (A) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.
- (B) The reduction by the Company of the capital paid up on the Deferred Shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (in accordance with the Companies Act) without obtaining the consent of the holders of the Deferred Shares.

FORM, TRANSFERABILITY AND LISTING

The Deferred Shares shall not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable other than to the Company.

PURCHASE

- (A) The Company may at any time (and from time to time), subject to the provisions of the Companies Act, without obtaining the sanction of the holder or holders of the Deferred Shares appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), and any such transfer shall be for not more than 1p for all the Deferred Shares then being purchased.
- (B) All Deferred Shares purchased by the Company shall be cancelled.

PART 8

UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF VALUE

The following paragraphs are intended as a general guide only and are based on current UK tax law and current HMRC published practice and are not intended to be and should not be construed as legal or taxation advice to any Shareholders. Except where the position of Overseas Shareholders is expressly referred to, these paragraphs deal only with Shareholders who are resident or ordinarily resident in the UK for tax purposes. These paragraphs may not be applicable to certain other Overseas Shareholders, insurance companies, dealers in securities, Shareholders who hold or have acquired any Ordinary Shares by reason of or in connection with their office or employment, or as part of or in connection with an employee share scheme or similar scheme, and Shareholders who are not beneficial owners of their Ordinary Shares, such as trustees. Overseas Shareholders and other investors in these categories should seek their own advice in relation to the tax effects of the Return of Value.

All Shareholders are strongly recommended to consult their independent advisers if they are in any doubt as to their tax position.

1. ISSUE OF THE B SHARES AND CONSOLIDATION OF THE EXISTING ORDINARY SHARES

Liability to UK taxation of capital gains and corporation tax on chargeable gains (“CGT”) will depend on the individual circumstances of Shareholders. Shareholders, not the Company, are responsible for the payment of any liability to CGT.

The steps by which holdings of Existing Ordinary Shares are converted into a combination of New Ordinary Shares and B Shares should constitute a reorganisation of share capital and as such, should not itself give rise to any liability to CGT. The New Ordinary Shares replacing a Shareholder’s holding of Existing Ordinary Shares as a result of the Capital Reorganisation and the B Shares will be treated as the same asset as, and as having been acquired at the same time as and for the same consideration as, the Shareholder’s holding of Existing Ordinary Shares. The new combined holding of B Shares and New Ordinary Shares will have the same aggregate base cost as the Shareholder’s holding of Existing Ordinary Shares immediately before the Capital Reorganisation. Such aggregate base cost will be allocated, as between the B Shares and New Ordinary Shares, broadly pro-rata to the relative value of such shares at the time of the reorganisation.

The disposal of fractional entitlements arising from the Share Capital Consolidation should not, under current HMRC practice, constitute a part disposal of such Shareholder’s Existing Ordinary Shares.

2. B SHARE ALTERNATIVES

Dividend Alternative

The Company will not be required to withhold tax at source when paying the Dividend Alternative.

A United Kingdom resident individual Shareholder who is liable to income tax at the starting or basic rate will pay no tax on the Dividend Alternative unless it takes that Shareholder’s income into the higher rate tax band.

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate will be liable to pay tax equal to 25 per cent. of the cash dividend received to the extent that the gross dividend, when treated as the top slice of that Shareholder’s income, falls above the threshold for higher rate income tax. To the extent that a gross dividend, when treated as the top slice of that

Shareholder's income, falls above the threshold for the additional rate of income tax, the Shareholder will be liable for tax at 36.1 per cent. of the cash dividend received.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be liable to pay tax on the Dividend Alternative.

A United Kingdom resident corporate shareholder which is a "small company" (for the purposes of United Kingdom taxation of dividends) will not generally be subject to corporation tax on the Dividend Alternative.

Other United Kingdom resident corporate Shareholders will not generally be subject to corporation tax on the Dividend Alternative insofar as the Dividend Alternative constitutes an exempt distribution as referred to in Part 9A CTA 2009. Corporate Shareholders should consult their own advisers as to which exempt class (if any) may apply to them.

Overseas Shareholders will not generally be able to claim repayment from HMRC under any double tax treaty in respect of the Dividend Alternative. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the United Kingdom (for tax purposes) should consult their own tax adviser concerning their tax liabilities on dividends received from the Company.

For CGT purposes, the Dividend Alternative (and the consequent conversion of the B Shares into Deferred Shares) will not be treated as giving rise to a disposal or part disposal of the B Shares.

Shareholders who receive the Dividend Alternative should note that, consequent to the Capital Reorganisation, a proportion of the base cost, for CGT purposes, of their Existing Ordinary Shares will be attributed to the B Shares and this amount will continue to be attributed to those B Shares following their conversion into Deferred Shares (notwithstanding that the Deferred Shares have limited rights or value). Correspondingly, only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on disposal of New Ordinary Shares.

Capital Alternative

For the purposes of UK taxation, the payment by the Company of cash upon the redemption of the B Shares should generally be treated as a disposal of those B Shares. This may, subject to the Shareholder's circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of CGT.

In order to calculate any gain or loss on a redemption of the B Shares, the base cost of the B Shares redeemed will be taken as the difference between the purchase or redemption price and the element of the Shareholder's original base cost in their Existing Ordinary Shares that is attributed to the relevant B Shares. The amount of base cost which will be attributed to the B Shares will be determined in the manner outlined in paragraph 1 of this Part 8.

Subject to paragraph 5 below, no part of the proceeds received by a Shareholder under the Capital Alternative, should be an income distribution in the Shareholder's hands.

For Shareholders liable to a charge to UK corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of B Shares (but not to create or increase any loss).

3. DIVIDENDS

Dividends payable on the New Ordinary Shares should be subject to UK income tax under the rules applicable to dividends. Under current UK taxation legislation, no tax will be withheld at source from dividends paid on the New Ordinary Shares. The current rules and rates of tax correspond to those outlined for the Dividend Alternative under paragraph 2 of this Part 8.

4. STAMP DUTY AND STAMP DUTY RESERVE TAX (“SDRT”)

No UK stamp duty or SDRT will be payable by Shareholders in relation to the allotment and issue to them of B Shares.

No UK stamp duty or SDRT will be payable on, or as a result of, the redemption of B Shares and no stamp duty or SDRT will be payable by Shareholders on the Share Capital Consolidation.

5. CHAPTER 1 OF PART 13 OF ITA 2007 AND PART 15 CTA 2010

In certain circumstances, HMRC may apply the provisions of Chapter 1, Part 13, ITA 2007 and, broadly in the case of companies, Part 15 CTA 2010 where they have reason to believe generally that a person obtains a tax advantage in consequence of a “transaction in securities”.

Were HMRC to apply these provisions to Shareholders electing under the Capital Alternative the effect could be to tax such Shareholders as if they had received a dividend equal to the amount received on redemption of the B Shares. The Directors have not sought and do not intend to seek clearance under section 701 ITA 2007 or section 748 CTA 2010 from HMRC in this respect, therefore Shareholders should consult their own tax advisers concerning the potential additional tax liability should HMRC apply these provisions.

PART 9

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. SUMMARY OF THE RIGHTS AND RESTRICTIONS ATTACHING TO THE NEW ORDINARY SHARES

The rights and restrictions attaching to the New Ordinary Shares will be the same as the rights and restrictions set out in the Articles of Association, in respect of the Existing Ordinary Shares but amended as proposed at the General Meeting. These may be summarised as regards income, return of capital and voting, as follows:

Income

The holders of the New Ordinary Shares shall be entitled to be paid any further profits of the Company available for distribution and determined to be distributed. Any dividend payable on the New Ordinary Shares which has remained unclaimed for 12 years from the date when it became due for payment shall be forfeited and shall cease to remain owing by the Company.

Capital

On a return of capital on a winding-up (excluding any intra-group or reorganisation on a solvent basis) after paying such sums as may be due in priority to the holders of any other class of shares in the capital of the Company, any further such amount shall be paid to the holders of the New Ordinary Shares rateably according to the amounts paid up or credited as paid up in respect of each New Ordinary Share.

Voting

The holders of the New Ordinary Shares shall be entitled in respect of such shares to receive notice of any general meeting of the Company and to attend and vote at any such general meeting. At any such meeting, on a show of hands, every holder of New Ordinary Shares present in person shall have one vote and every such holder present in person or by proxy shall upon a poll have one vote for every New Ordinary Share of which he is the holder.

3. FORM

The New Ordinary Shares, the B Shares and the Deferred Shares are not renounceable and (with the exception of the Deferred Shares, which are not generally transferable) will be transferable by an instrument of transfer in usual or common form. The New Ordinary Shares, the B Shares and Deferred Shares will be in registered form. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the New Ordinary Shares may take place within the CREST system in respect of general market transactions.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ, during usual business hours on any weekday (Saturdays, Sunday

and public holidays excepted), up to and including the date of the General Meeting and will also be available for inspection at the General Meeting for at least 15 minutes before the General Meeting and until the General Meeting ends:

- (a) the current articles of association of the Company and the proposed new articles of association of the Company; and
- (b) this document.

18 August 2010

PART 10

NOTICE OF GENERAL MEETING

Randall & Quilter Investment Holdings PLC

(Registered in England and Wales with company number 3671097)

(the “Company”)

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of the Company will be held at the Company’s registered office, 9-13 Fenchurch Buildings, London EC3M 5HR on 3 September 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1, 3 and 4 will be proposed as special resolutions and resolution 2 will be proposed as an ordinary resolution:

1. THAT, conditional on the admission of the New Ordinary Shares (as defined below) to trading on AIM becoming effective by 8.00 a.m. on 6 September 2010 (or such later time and/or date as the directors of the Company (the “**Directors**”) may determine), such shares having the rights and being subject to the restrictions set out in the Articles of Association of the Company as proposed to be adopted pursuant to paragraph 1(d) below:
 - (a) the share capital of the Company be and is hereby increased by the creation of up to 57,000,000 B Shares of 2.9 pence each;
 - (b) the Directors be and are hereby authorised to capitalise a sum not exceeding £1,653,000 standing to the credit of the Company’s share premium account and to appropriate such sum to the members of the Company by applying such sum in paying up in full the number of B Shares stated in paragraph 1(a) above and the Directors are hereby authorised pursuant to Section 551 of the Companies Act 2006 (the “**Companies Act**”) to allot and issue such B Shares credited as fully paid up, up to an aggregate nominal amount of £1,653,000, to the holders of the ordinary shares of 2 pence each in the Company (the “**Existing Ordinary Shares**”) on the basis of one B Share for each Existing Ordinary Share held and recorded on the register of members of the Company at 5.30 p.m. on 3 September 2010 (or such other time and/or date as the Directors may determine), provided that the authority hereby conferred shall expire at the conclusion of the Annual General Meeting to be held in 2011 or 30 June 2011 whichever is the earlier;
 - (c) each Existing Ordinary Share as shown in the register of members of the Company at 5.30 p.m. on 3 September 2010 (or such other time and/or date as the Directors may determine) be and is hereby subdivided into 91 shares of $\frac{2}{91}$ pence each and forthwith upon such subdivision every 94 shares of $\frac{2}{91}$ pence each resulting from such subdivision be and are hereby consolidated into one New Ordinary Share, PROVIDED THAT no member shall be entitled to a fraction of a share and all fractional entitlements arising out of such subdivision and consolidation shall be aggregated into New Ordinary Shares and the whole number of New Ordinary Shares so arising sold and the net proceeds of sale shall be retained by the Company; and
 - (d) the draft of the proposed new Articles of Association of the Company set out in the document produced to the meeting (and signed for the purpose of identification by the Chairman) be adopted in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

2. THAT, subject to the passing of resolution 1 and such resolution becoming unconditional in accordance with its terms, the Directors be generally and unconditionally authorised, pursuant to Section 551 of the Companies Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

- (a) up to an aggregate nominal amount of £372,753; and
- (b) up to a further aggregate nominal amount of £372,753 in connection with an offer of equity securities (within the meaning of section 560 CA 2006) by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter.

The authorities conferred on the Directors under paragraphs 2(a) and 2(b) above shall expire at the conclusion of the next Annual General Meeting of the Company in 2011 after the passing of this Resolution or on 30 June 2011, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

3. THAT, subject to the passing of resolution 1 and such resolution becoming unconditional in accordance with its terms and subject to the passing of resolution 2, the Directors be given power pursuant to Section 570 of the Companies Act to allot equity securities (as defined in Section 560(1) of the Companies Act) for cash, pursuant to the general authority conferred on them by resolution 2, and to allot equity securities (as defined in Section 560(2) of the Companies Act) for cash, in each case as if Section 561(1) of the Companies Act did not apply to such allotment, provided that this power shall be limited to:

- (a) any such allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of those shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of New Ordinary Shares held by them on that date, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
- (b) any such allotment, otherwise than pursuant to paragraph 3(a) above, of equity securities for cash having a nominal amount not exceeding in aggregate £55,643,

and this power shall (unless renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the Annual General Meeting in 2011 or on 30 June 2011, whichever is the earlier, provided that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke all earlier such authorities conferred on the Directors.

-
4. THAT, subject to the passing of resolution 1 and such resolution becoming unconditional in accordance with its terms and in substitution for all existing authorities, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act) of ordinary shares on such terms and in such manner as the Directors may determine, provided that:
- (a) the maximum number of ordinary shares to be purchased is 5,412,854 New Ordinary Shares;
 - (b) the maximum price which may be paid for any New Ordinary Share is an amount not more than the higher of an amount equal to:
 - (i) 5 per cent. over the average of the middle-market quotations for a New Ordinary Share as derived from the London Stock Exchange AIM List for the five business days immediately preceding the day on which the purchase is made; and
 - (ii) that stipulated by Article 5(1) of the Buyback and Stabilisation Regulation 2003;
 - (c) the minimum price which may be paid for each New Ordinary Share is 2%₁ pence; and
 - (d) the authority hereby conferred unless previously renewed shall expire at the conclusion of the Annual General Meeting to be held in 2011 or on 3 December 2011, whichever is the earlier, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in accordance with any such contract.

By order of the Board

Michael I. Glover FCIS
Company Secretary

18 August 2010

Registered office:
9-13 Fenchurch Buildings
London
EC3M 5HR

Notes

1. A member entitled to attend and vote at the General Meeting may appoint a proxy (who need not be a member of the Company) to attend and, on a poll, to vote on his or her behalf. In order to be valid, an appointment of proxy must be returned by one of the following methods:
 - (i) in hard copy form using the reply-paid envelope provided or otherwise by post (in which case postage will be payable), by courier or by hand to Computershare Corporate Actions Projects, Bristol BS99 6AH; or
 - (ii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case must be received by the Company not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
3. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. CREST members and, when applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST System by any particular time. In this connection, CREST members, and where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the General Meeting or any adjourned meeting, (and also for the purposes of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 p.m. (London time) on 1 September 2010 (or 6.00 p.m. on the date two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

DEFINITIONS

The following words and expressions bear the following meanings in this document unless the context requires otherwise.

“Admission”	admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	means the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies as issued by the London Stock Exchange from time to time;
“Articles of Association”	the articles of association of the Company or, where the context requires, the articles of association to be adopted by the Company pursuant to resolution 1 to be proposed at the General Meeting;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 4 of this document;
“B Shares”	the redeemable B Shares of 2.9 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document;
“B Share Alternatives”	the alternatives of the Dividend Alternative and the Capital Alternative or any of them as the context may require;
“Business Day”	a day (excluding Saturday or Sunday or public holidays in England) on which banks generally are open for business in the City of London for the transaction of normal banking business;
“Capital Reorganisation”	the reorganisation of the Company’s share capital comprising the issue of B Shares and the Share Capital Consolidation;
“Capital Alternative”	the allotment and issue of B Shares to be redeemed by the Company on 10 September 2010, or such later date as the Directors may determine;
“Company” or “Randall & Quilter”	Randall & Quilter Investment Holdings plc, a company registered in England and Wales with company number 03671097;
“Companies Act”	the Companies Act 2006 as amended;
“Computershare Registrars”	Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS13 8AE;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Uncertificated Securities Regulations;
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“CTA 2009”	the Corporation Tax Act 2009;
“CTA 2010”	the Corporation Tax Act 2010;

“Deferred Shares”	the deferred shares of 2.9 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 7 of this document;
“Dividend Alternative”	the dividend of 2.9 pence per B Share;
“Election Period”	the period from 18 August 2010 until 4.30 p.m. on 3 September 2010, during which time Shareholders may make elections pursuant to the B Share Alternatives;
“Existing Ordinary Shares”	issued ordinary shares of 2 pence each in the capital of Randall & Quilter existing prior to the Capital Reorganisation;
“Form of Election”	the form enclosed with this document by which Shareholders (other than Overseas Shareholders in the Restricted Territories) holding Ordinary Shares in certificated form may elect for the B Share Alternatives;
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting;
“General Meeting”	the General Meeting of the Company to be held at the registered office of the Company at 9-13 Fenchurch Buildings, London EC3M 5HR at 10.00 a.m. on 3 September 2010;
“Group”	Randall & Quilter and its subsidiary undertakings (as defined in the Companies Act);
“HMRC”	Her Majesty’s Revenue and Customs;
“ITA 2007”	the Income Tax Act 2007;
“London Stock Exchange”	the London Stock Exchange plc or any recognised investment exchange for the purposes of the Financial Services and Markets Act 2000 which may take over the function of the London Stock Exchange plc;
“New Ordinary Shares”	the ordinary shares of 2 ¹ / ₁ pence nominal value in the Company, arising as a result of the Share Capital Consolidation;
“Overseas Shareholder”	a Shareholder who is not resident in the United Kingdom or who is a citizen, resident or national of a country other than the United Kingdom;
“Ordinary Shares”	as the context permits, Existing Ordinary Shares or New Ordinary Shares;
“Preference A Share”	the cumulative redeemable Preference A share of £1 in the capital of the Company;
“Preference A Shareholder”	the holder of the Preference A Share;
“Preference B Share”	the cumulative redeemable Preference B share of £1 in the capital of the Company;
“Preference B Shareholder”	the holder of the Preference B Share;
“Randall & Quilter Long Term Incentive Plan” or “Long Term Incentive Plan”	the Randall & Quilter Investment Holdings plc Long Term Incentive Plan

“Record Time”	5.30 p.m. on 3 September 2010 (or such time and/or date as the Directors may determine);
“Restricted Territories”	the United States, Canada and Australia;
“Return of Value”	the transactions comprising the Capital Reorganisation and the B Share Alternatives;
“Share Capital Consolidation”	the proposed sub-division and consolidation of the Existing Ordinary Shares in the manner set out in paragraph (c) of resolution 1 in the notice convening the General Meeting set out in Part 10 of this document;
“Share Entitlement”	the entitlement of Shareholders to receive one B Share for each Existing Ordinary Share held at the Record Time;
“Shareholders”	holders of Ordinary Shares and/or, where the context so requires, holders of B Shares;
“TTE instruction”	transfer to escrow instruction to be used by CREST account holders;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“Uncertificated” or “in uncertificated form”	when used in relation to shares, recorded on the relevant register “in uncertificated form” as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001; and
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
