

7 December 2017

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XS/DXW/LMMc/MVL1910P

Your Ref:
Contact: Daniel Webster
DD: 020 7516 1547

TO ALL KNOWN SHAREHOLDERS

PROPOSED SECOND INTERIM DISTRIBUTION AND NOTICE OF GENERAL MEETING

Dear Sir/Madam

SRG Realisations (2017) Plc (Formerly Security Research Group Plc) (In Members' Voluntary Liquidation) (the "Company")

I write further to my letter dated 6 October 2017 informing you of the first interim cash distribution to shareholders in the liquidation. If you have not received a remittance in respect of the first distribution, please contact **Dan Webster** of this office on the number above.

As previously reported, the majority of the Company's assets have been realised in the course of the liquidation to date, although there are a small number of assets of comparatively modest value that still remain to be realised. The remaining material asset is the Company's investment (the "**Investment**") in all of the issued shares in Rochdale Development Company Limited ("**Rochdale**"). Rochdale, which is an investment company itself, owns a wholly owned trading subsidiary namely, Moore & Buckle (Flexible Packaging) Limited ("**M&B**"), which has some considerable value. In fact, we instructed a firm of chartered accountants to carry out a summary valuation of the Investment, who have determined the value to be £1.038M.

In order to realise the value of the Investment and distribute the proceeds to shareholders, we would ordinarily seek to sell the Investment (Rochdale/M&B) and *then* make a distribution of the net cash proceeds. This would be a costly and lengthy sale process, and would reduce the overall return to shareholders by the likely substantial associated costs of sale.

There are a total of **549** individual shareholders in the Company holding a total of **19,809,060** ordinary shares of £0.20 (20 pence) each (the "**Shares**") (the "**Shareholder Group**"). This comprises:

- (i) 24 individual shareholders each holding 100,000 Shares *or more* in the Company, representing more than more than **91%** of the Shareholder Group ("**Tier I shareholders**"); and
- (ii) 525 individual shareholders holding *less than* 100,000 Shares each ("**Tier II shareholders**") representing the circa **9%** balance of the Shareholder Group.

Following discussions with the Company's directors and a few of the larger Tier I shareholders, we propose to restructure the share capital of the Company to permit a distribution in specie of the whole of the Investment (i.e. distribute all of the shares that the Company holds in Rochdale (the "**Rochdale Shares**") to the Tier I shareholders to be made, and pay a compensatory cash dividend of equivalent value of the Investment to the Tier II shareholders. For the avoidance of doubt, the Tier II shareholders will not receive Rochdale Shares. It would, otherwise, be impractical to effectively distribute the Rochdale Shares to the whole of the Shareholder Group as it would leave Rochdale with a cumbersome shareholder register.

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We have set out below, by way of simple illustration, the proposed second interim distribution in the liquidation.

	Number of shareholders	Total number of shares held and percentage equivalent	Equivalent percentage value of the investment distributed to Tiers
Tier I shareholders – receiving shares in Rochdale only	24	91.05%	£1,038,000 Rochdale shares only
Tier II shareholders – receiving compensatory cash only	525	8.95%	£102,033 Cash only
Total	549	100%	£1,140,033

It should be noted that the Tier I shareholders will accept the risk that the Rochdale Shares they receive in specie *may* either potentially fall or rise in value. Moreover, any subsequent disposal of the Rochdale Shares by an individual Tier I shareholder will be subject to the pre-emptive rights of Rochdale which give the other shareholders in Rochdale a right to acquire those shares first before they can be sold to a third party (in accordance with the provisions of Rochdale's current Articles of Association).

Proposed mechanics of the distribution in specie of Rochdale/M&B to shareholders

In order to most efficiently effect the distribution in specie, we propose that the shareholder register is revised to create one class of shares for the Tier I shareholders and another, separate, class of shares for the Tier II shareholders, as follows:

- each existing ordinary share of £0.20 each, held by the **Tier I Shareholders** (holding 100,000 Shares or more), is converted into 1 A ordinary share of £0.20; and
- each existing ordinary share of £0.20 each, held by the **Tier II shareholders** (holding fewer than 100,000 Shares), is converted into 1 B ordinary share of £0.20.

For the purposes of effecting the proposed distribution in specie and the share conversion, we attach a Notice of General Meeting of the Company (the shareholders) to consider and vote on the following resolutions:

1. Ordinary Resolution

THAT, in accordance with section 618 of the Companies Act 2006:

- (i) *each existing ordinary share of £0.20 each in the issued share capital of the Company, held by shareholders holding 100,000 ordinary shares of £0.20 each or more, be converted into 1 new A ordinary share of £0.20 each; and*
- (ii) *each existing ordinary share of £0.20 each in the issued share capital of the Company, held by shareholders holding fewer than 100,000 ordinary shares of £0.20 each, be converted into 1 new B ordinary share of £0.20 each.*

2. Special Resolution

THAT, with effect from the conclusion of the meeting the draft articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

As a result of the share conversion, the Company's articles of association will require amendment to set out that there are two classes of shares in the capital of the Company.

The distribution of Rochdale/M&B in specie will be a capital disposal for tax purposes at the value attributed to the Investment. We will be obliged to prepare and submit tax computations in the liquidation to deal with this and all the other capital disposals. We will be obliged to retain sufficient cash reserves for this purpose and to obtain tax clearance before making any further and the final distribution in the liquidation to shareholders.

Liquidators' Fees and Disbursements

On 17th July 2017, shareholders passed a resolution to the effect that our remuneration (as liquidators) be fixed by reference to the time properly given by us (as liquidators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (London) LLP for attending to matters arising in the winding up, subject to us agreeing that our remuneration shall not exceed the sum of £39.5K plus VAT and disbursements in circumstances where the value of the time given by us and our staff in attending to matters arising in the winding up exceeds this sum.

Our costs are currently well in excess of that anticipated at the outset of the engagement, and will necessarily exceed the amount originally quoted for the post-liquidation work of £39.5K, as agreed in the resolution. We thought it appropriate at this juncture to set out the reasons why this is the case.

The assumptions on which we based our original quote for the liquidation which were set out in our original engagement letter dated 11 April 2016, and our subsequent addendum engagement letter dated 2 June 2017, were in summary:

Prior to placing the Company into members' voluntary liquidation:

- that all assets other than cash would have been realised and distributed;
- the Company's bank accounts would have been closed and confirmatory final statements provided indicating nil balances;
- that no tax advice/input was required by us either prior to or during the liquidation process;
- all accounts and corporation tax returns will be prepared and final taxation clearance in relation to the pre-liquidation period will be obtained by you/your auditors/tax advisers from H M Revenue & Customs ("HMRC") or local tax authorities; and

During the members' voluntary liquidation:

- the Company's Registrars, Capita, will deal with the mechanics of the distribution(s) to shareholders upon receipt of cash from the liquidators.

This matter has been far from straightforward. Substantially more work than envisaged has been done by us from the outset, much of which has been outside the scope of the original terms of our engagement and

which would have otherwise been done by the directors, the cost of which would have been part of the Company's fixed overhead. To date, our work has included:

- our intervention and input to recover a disputed element of deferred consideration from the sale of some of the Company's other investments completed prior to our appointment;
- a substantial amount of additional administrative work in dealing with the closure of the Company's bank accounts and transfer of all cash deposits to the liquidation estate accounts;
- dealing with a number of asset realisations which are still on-going;
- liaising with Company's tax advisors in relation to complex tax matters including the group surrender of losses to Rochdale/M&B and negotiation of consideration paid by Rochdale in respect thereof, consideration of Substantial Shareholding Exemption relief of the disposal of the Company's investments, Stamp Duty exemptions in relation to the distribution in specie of the Rochdale shares and obtaining pre-liquidation tax clearance from HMRC in respect of PAYE/NIC, VAT and CT;
- liaising with the directors continually throughout;
- dealing with the mechanics of the first interim distribution to shareholders at a more competitive level of cost to that of the Company's Registrars, Capita;
- instructing accountants Saffery Champness, and agreeing the terms of reference, for the purposes of carrying out their valuation of Rochdale/M&B;
- the detailed planning and execution of the share conversion process and distribution in specie of Rochdale/M&B in conjunction with advice rendered by our solicitors, Wedlake Bell LLP, instructed for this purpose.

As at 1 December 2017, a total of 244 hours had been spent on this matter to date. Our total time costs currently amount to £68K of which we have, to date, drawn an amount of £39.5K on account of costs. The following matters are still to be dealt with:

- the restructuring of the Company's share capital for the purposes of the distribution in specie of the Rochdale shares and compensatory equivalent cash dividend to the Tier I and Tier II shareholders respectively;
- the realisation of the Company's shareholding in Red Leopard Holdings plc (still on-going);
- the realisation of the Company's holding in NorAm Capital Holdings Inc (still on-going);
- the restoration of Paterson Financial Services Limited ("PFSL"), a former wholly owned subsidiary of the group which had been dissolved, for the purposes of receiving the benefit of a first and final capital distribution into the liquidation estate;
- dealing with tax clearance matters; and
- dealing with a third and final distribution to shareholders of any remaining net surplus of funds in the liquidation prior to finalising and closing the liquidation

In light of this, we anticipate that our further costs in dealing with this matter amount to between £30K-£50K plus disbursements which will include valuation and legal fees.

Accordingly, we have included a further resolution in the Notice of General Meeting for consideration by shareholders as follows:

3. Ordinary Resolution

THAT, *the joint liquidators' remuneration be fixed by reference to the time properly given by them (as liquidators) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor (London) LLP for attending to matters arising in the winding up.*

To accompany the resolution and for the sake of good order, I have enclosed, once again, a copy of my firm's Charging Policy for your information. I also enclose a copy of our time and expenses summary for the period from the date of appointment to 1 December 2017 for your information.

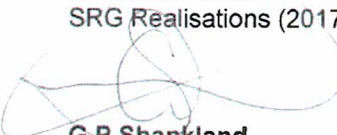
Finally, we attach Notes to the Notice of General Meeting together with a form of Proxy to be completed by any shareholder who cannot attend the General Meeting and wishes to appoint a proxy to attend and vote in his/her/its place.

Please note there is no necessity to attend the meeting, which can be dealt with by completing the Voting and Proxy Form attached and returning it to Daniel Webster of my office, in the first instance by email to daniel.webster@begbies-traynor.com, or by post to Begbies Traynor (London) LLP at 31st Floor, 40 Bank Street, London E14 5NR.

If you do wish to attend, please notify Daniel Webster by e-mail or telephone on 0207 516 1547 by no later than 12 Noon on Monday 18 December 2017 in order we can make the necessary arrangements to accommodate.

We would kindly ask shareholders to refrain from contacting us other than in relation to any specific queries you may have in respect of the proposed distribution. This is to ensure that we minimise our costs of dealing with this matter which may otherwise dilute the second and any subsequent distributions to shareholders. If you do need to contact us, please contact either Richard Goddard or Daniel Webster of my office; in the first instance by email to daniel.webster@begbies-traynor.com.

Yours faithfully
for and on behalf of
SRG Realisations (2017) plc (Formerly Security Research Group plc)



G P Shankland
Joint Liquidator

Encs.