

**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 7 of Part 1 of this document.**

If you sell or transfer, or have sold or otherwise transferred, all of your Existing Ordinary Shares prior to 5.00 p.m. on 21 May 2014, you should send this document together with the accompanying Form of Proxy and Form of Election (if enclosed) 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 Existing Ordinary Shares, please consult the stockbroker bank or other agent through or by whom the transfer or sale was effected.

Depository Interests in respect of the Existing Ordinary Shares are admitted to trading on AIM. No application will be made to any investment exchange or trading platform for listing or admission to trading of the P Shares or Q Shares or any interest in them.



## **Randall & Quilter Investment Holdings Ltd**

*(Registered in Bermuda with the company number 47341)*

### **Proposed Return of Value to Shareholders of 5 pence per Existing Ordinary Share by way of either a Capital Repayment or a Special Dividend and Notice of General Meeting**

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This document should be read as a whole and in conjunction with the accompanying Form of Proxy and Form of Election (if enclosed). 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 vote in favour of the Resolution 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 the Resolution which is to be proposed at the General Meeting.

The General Meeting of the Company, (notice of which is set out in Part 9 of this document), at which the Resolution will be proposed, will be held at 130 Fenchurch Street, 12th Floor, London EC3M 5DJ on 21 May 2014 at 12.00 noon.

- Shareholders who do not hold Depository Interests should complete the Form of Proxy enclosed with this document for use at the General Meeting.
- DI Holders should either complete a Form of Instruction (copies of which can be found on the Company's website at [www.rqih.com](http://www.rqih.com), or by requesting a hard copy from the Group Company Secretary at 130 Fenchurch Street, London EC3M 5JT or on +44 (0) 207 780 5850) or place an instruction through the CREST system to direct the Custodian to cast votes on their behalf in respect of their Depository Interests at the General Meeting.

To be valid, Forms of Proxy and Forms of Instruction 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. Completed Forms of Proxy must be received by Computershare not later than 12.00 noon. on 19 May 2014. Forms of Instruction and any instructions placed through CREST in relation to General Meeting must be received by Computershare no later than 12.00 noon. on 16 May 2014. The return of a completed Form of Proxy, Form of Instruction or CREST instruction will not prevent you from attending the General Meeting and voting in person if you so wish.

Save in respect of certain Overseas Shareholders, if you hold your shares in certificated form, a Form of Election will be enclosed with this document for use in respect of the Alternatives. DI Holders may make elections in respect of the Alternatives through CREST. To be valid, Forms of Election and elections made through CREST must be returned so as to be received by Computershare as soon as possible and in any event no later than 11.00 a.m. on 30 May 2014.

None of the P Shares or Q Shares have been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the US Securities Act and the relevant state securities laws or that is not subject to the registration requirements of the US Securities Act or such laws, either due to an exemption therefrom or otherwise. None of the P Shares or Q Shares or this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority nor have such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Numis Securities Limited, which is regulated in the United Kingdom by the Financial Conduct Authority, is acting as Nominated Adviser 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.

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Shareholders are advised to read this document carefully. If you require assistance in completing the Form of Proxy, Form of Instruction or the Form of Election or require additional Forms of Proxy, Forms of Instruction or Forms of Election, please call Computershare on 0870 707 4040 and if phoning from outside the UK +44 (0)870 707 4040. Calls to this number from inside the United Kingdom are charged at approximately 8 pence per minute (including VAT) from a BT landline; other service providers' charges may vary. Calls to this number from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

For legal reasons, Computershare will not be able to give advice on the merits of the Return of Value or to provide legal, financial or taxation advice.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publishing and posting of this document to Shareholders	28 April 2014
Latest time and date for receipt of the Form of Instruction for, or placing of a CREST instruction in relation to, the General Meeting.	12.00 noon. on 16 May 2014
Latest time and date for receipt of the Form of Proxy for the General Meeting	12.00 noon. on 19 May 2014
General Meeting	12.00 noon. on 21 May 2014
Record time (for determining entitlement to P Shares and Q Shares, the Capital Repayment on the P Shares and the Special Dividend on the Q Shares)	5.00 p.m. on 21 May 2014
Credit CREST accounts with 'interim CREST entitlements' in respect of Depositary Interests held in respect of underlying Existing Ordinary Shares;	22 May 2014
Existing Ordinary Shares and Depositary Interests in respect of underlying Existing Ordinary Shares commence trading ex-dividend	22 May 2014
Latest time and date for receipt of Forms of Election or USE instructions in respect of the Alternatives	11.00 a.m. on 30 May 2014
Anticipated time and date of issue and allotment of the P Shares and Q Shares	At or after 6.01 p.m. on 3 June 2014
Effective date for the Return of Value	3 June 2014
Credit CREST accounts (with respect to the Capital Alternative), make BACS payments (with respect to the Dividend Alternative) to mandated accounts or despatch cheques in respect of the Capital Repayment on the P Shares and the Special Dividend on the Q Shares	10 June 2014

**Notes:**

1. All references to time in this document are to London (UK) 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.

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**PART 1**

**LETTER FROM THE CHAIRMAN OF RANDALL & QUILTER**

**Randall & Quilter Investment Holdings Ltd**

*(Registered in Bermuda with the company number 47341)*

*Directors:*

Kenneth Randall (*Chairman and Chief Executive Officer*)  
Alan Quilter (*Deputy Chief Executive Officer and Chief Operating Officer*)  
Tom Booth (*Chief Financial Officer*)  
Alastair Campbell (*Non-Executive Director*)  
Michael Smith (*Non-Executive Director*)  
Philip Barnes (*Non-Executive Director*)

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

28 April 2014

*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 5 pence per Existing Ordinary Share  
and  
Notice of General Meeting**

**1. INTRODUCTION**

**Return of Value**

In addition to generating cash profits from the Group's operating companies, the Company aims to make capital extractions from its insurance investments by managing down the liabilities of its insurance company portfolio and releasing surplus capital. The exact quantum and timing of these capital extractions is by nature uncertain but these extractions have continued to be frequent and at times, significant. During 2013, we successfully extracted capital from La Réassurance Intercontinentale, Goldstreet Insurance and a number of the Group owned captive programmes in run-off. We also completed the transfer of the Chevanstell book to R&Q Insurance (Malta) Limited under Part VII of FSMA 2000 and merged our unregulated EEA based reinsurers, which will help to optimise our on-going capital position and demonstrates our continuing progress in enhancing the capital efficiency of our existing insurance portfolios by intra group transfers and mergers. Coupled with near term liquidity arising from the imminent closure of the Integrity estate in which we have a substantial position in our insurance debt portfolio, and increased acquisition activity, much of which is focused on short term cash profit generation, this bodes well for further capital 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 (by means of the Return of Value) to Shareholders through the issue of P and Q Shares. In light of the proposed Return of Value, the Company is not proposing to pay a dividend on the Existing

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Ordinary Shares (or on Depositary Interests held in respect of Existing Ordinary Shares) for the 12 months ended 31 December 2013, but the Company may choose to make future returns of value or ordinary dividend payments, in line with its stated distribution policy.

### **General Meeting**

The Return of Value requires the approval of Shareholders, which will be sought at a General Meeting to be held at 130 Fenchurch Street, 12th Floor, London, EC3M 5DJ at 12.00 noon. on 21 May 2014. The notice of the General Meeting is set out in Part 9 of this document.

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.

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**

### **Introduction**

The implementation of the Return of Value involves a number of steps, which are all subject to approval of Shareholders at the General Meeting. Shareholders should note that the Return of Value involves the reduction of the Company's share capital by way of the Reduction of Capital.

Subject to the passing of the Resolution:

- The Company's authorised share capital will be increased to allow the creation of the P Shares and the Q Shares.
- Each Shareholder will receive (at their election) one P Share or one Q Share for each Existing Ordinary Share held by them at the Record Time. Shareholders will receive Q Shares unless they elect for P Shares.
- The P Shares will entitle their holders to receive the Capital Repayment of 5 pence per P Share and the Q Shares will entitle their holders to receive the Special Dividend of 5 pence per Q Share.
- The Company will cancel the P Shares and the Q Shares, and effect the payment of the Capital Repayment or Special Dividend.

Further details of the steps required to implement the Return of Value are set out in Part 5 of this document.

### **The Return of Value**

The Return of Value will return 5 pence per Existing Ordinary Share to Shareholders. Under the Return of Value, Shareholders will receive, in respect of their holding of Existing Ordinary Shares at the Record Time, 1 P Share or 1 Q Share (as they may elect) for every 1 Existing Ordinary Share that they hold. By making an election as to whether they receive P Shares or Q Shares, Shareholders will be able to elect between the following Alternatives as to how they receive their cash:

- (i) the Capital Alternative will be paid in respect of the P Shares (with the cash proceeds expected to be sent on or around 10 June 2014); and/or
- (ii) the Dividend Alternative will be paid in respect of the Q Shares (with the cash proceeds expected to be sent on or around 10 June 2014).

Shareholders may split the aggregate amount to be returned to them between the Alternatives by electing to split their Share Entitlement between P Shares and Q Shares.

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The Alternatives are described more fully below.

### **The Alternatives**

The Alternatives available to Shareholders are summarised below and explained in further detail in Part 5 of this document. Shareholders are requested to make an election in respect of the Alternatives by using the enclosed Form of Election or through the CREST system (as detailed in Part 3 of this document). Shareholders may split the aggregate amount to be returned to them between the Alternatives by electing to split their Share Entitlement between P Shares and Q Shares.

**Shareholders who do not make a valid election in respect of the Alternatives in accordance with the terms set out in Part 3 of this document will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement. Where a Shareholder makes an election for the Capital Alternative which exceeds his or her Share Entitlement, the Shareholder will be deemed to have elected for the Capital Alternative in respect of all of their Share Entitlement.**

**If any Form of Election is unclear as to the Shareholder's election, they will be deemed to have elected for the Dividend Alternative in respect of their entire Share Entitlement.**

The general guidance on the UK tax treatment of the Alternatives set out below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident in the UK for tax purposes and who hold their Existing Ordinary Shares, P Shares and/or Q Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document as the Alternatives will have different UK tax consequences.

**Shareholders who require further information or who are in any 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.**

- ***Alternative 1 – Capital Alternative (P Shares)***

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one P Share for each corresponding Existing Ordinary Share they hold at the Record Time. P Shares are expected to be issued and allotted to the relevant Shareholders at or after 6.01 p.m. on 3 June 2014.

It is expected that the P Shares will be cancelled pursuant to the Reduction of Capital at or after 6.03 p.m. on 3 June 2014 and that the Capital Repayment of 5 pence will be made in respect of each cancelled P Share. Proceeds will be sent to Shareholders on or around 10 June 2014.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Overseas Shareholders is drawn to paragraph 2.5 of Part 5 of this document.

- ***Alternative 2 – Dividend Alternative (Q Shares)***

Shareholders who elect or are deemed to have elected for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one Q Share for each corresponding Existing Ordinary Share they hold at the Record Time. Q Shares are expected to be issued and allotted to the relevant Shareholders at or after 6.01 p.m. on 3 June 2014.

It is intended that a Special Dividend of 5 pence will become payable on each Q Share by or after 6.02 p.m. on 3 June 2014. Q Shares will be cancelled following the declaration of the Special Dividend pursuant to the Reduction of Capital. Proceeds will be sent to Shareholders following the cancellation of the Q Shares on or around 10 June 2014.

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The amounts received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Overseas Shareholders is drawn to paragraph 2.5 of Part 5 of this document.

**Details of how to complete and return a Form of Election are set out in Part 3 of this document. DI Holders electing through CREST should refer to paragraph 2 of Part 3 of this document for further information.**

**Shareholders wishing to receive the Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Form of Election or make an election through CREST as Q Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives.**

#### **Randall & Quilter Long Term Incentive Plan**

The Return of Value is not expected to have any consequences for the holders of options that have been made under the Long Term Incentive Plan who should continue to hold the same number of options at the same exercise price following the Return of Value as they did before. 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 2.6 of Part 5 of this document.

### **3. CURRENT TRADING AND PROSPECTS**

The Group announced its results for the 12 months ended 31 December 2013 on 22 April 2014. The Group has delivered a solid result during 2013 which was in line with management expectations. The contribution from increased legacy acquisition activity was significantly higher than the year prior and there was a strong result from the insurance debt portfolio following a move to a fair value basis and some positive news from a number of the underlying insurance estates. Investment income was higher than anticipated owing to a defensive interest rate duration strategy and gains in the equity and structured credit portfolios. The core insurance services business performed well, especially in the UK, whilst the US again benefited from strong credit write backs, though below the level seen in 2012. The syndicate participation results were impacted by the previously announced slow premium development on its active managed syndicate. A weaker result than originally anticipated was produced by the Underwriting Management Division as a result of a combination of factors including lower profit commissions on the syndicates, some competitive pressures affecting one of the owned MGA accounts in the latter part of the year and failure to secure a new turnkey contract. Operationally however, the division made good progress again, having managed to double the capacity for Syndicate 1991 for the 2014 underwriting year of account to £150m. As reported at the half year stage, a further profit of £1.5m in respect of reserve releases in Alma Insurance has been reallocated as a prior year adjustment as required by international accounting standards, showing the solid performance in 2013 in a less favourable light against the prior year than would otherwise have been the case.

We look forward to the future with confidence. Our strong legacy and servicing pipelines continue to offer prospects for profitable development, including in the short term. We have a strong presence in the market for legacy insurance assets although the exact timing of such acquisitions is always difficult to predict. While it has taken longer than planned to build our live underwriting platform, we remain confident that the overall strategy provides a firm foundation for strong, sustainable growth in the future.

### **4. GENERAL MEETING**

You will find set out in Part 9 of this document a notice convening a general meeting of the Company to be held at 130 Fenchurch Street, 12th Floor, London EC3M 5DJ at 12.00 noon. on 21 May 2014. The business to be considered at the General Meeting is set out in the notice together with the explanatory notes to each resolution below.

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At the General Meeting the Resolution will be proposed to approve the Return of Value.

The Resolution will be proposed as a special resolution meaning that for the Resolution to be passed, 75 per cent. of the votes cast must be in favour of the Resolution.

Further information relating to the General Meeting and the Resolution is set out in paragraph 3 of Part 5 of this document.

## **5. OVERSEAS SHAREHOLDERS**

The attention of Overseas Shareholders is drawn to the information set out in paragraph 2.5 of Part 5 of this document.

## **6. ACTION TO BE TAKEN**

### **Form of Proxy**

If you hold your Existing Ordinary Shares in certificated form, 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 12.00 noon. on 19 May 2014, whether or not you intend to be present at the General Meeting.

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 Instruction**

DI Holders are asked to either complete a Form of Instruction (copies of which can be found on the Company's website at [www.rqih.com](http://www.rqih.com)) or place an instruction through the CREST system to direct the Custodian to cast votes on their behalf in respect of their Depositary Interests at the General Meeting. A Form of Instruction should be completed in accordance with the instructions printed on it. Completed Forms of Instruction and instructions placed in relation to the General Meeting through the CREST system should be sent to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH as soon as possible and, in any event, must be received by Computershare not later than 12.00 noon. on 16 May 2014.

The return of a completed Form of Instruction or CREST instruction in relation to the General Meeting will not prevent you from attending the General Meeting and voting in person if you so wish. DI Holders wishing to attend the General Meeting should contact Computershare at Corporate Actions Projects, Bristol BS99 6AH by no later than 12.00 noon. on 16 May 2014.

### **Form of Election**

A Form of Election for use by Shareholders (with the exception of DI Holders who hold their interests in respect of Existing Ordinary Shares in CREST) in connection with the 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 by no later than 11.00 a.m. on 30 May 2014. The Form of Election should be sent by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH (postage will be payable) or delivered by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. 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.

DI Holders will not be sent a Form of Election and may only elect in respect of the Alternatives through CREST. Please see paragraph 2 of Part 3 of this document for further information.



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Shareholders (other than Overseas Shareholders in a Restricted Territory) who do not complete and return a valid Form of Election or USE instruction by 11.00 a.m. on 30 May 2014 will be deemed to have elected for the Dividend Alternative.

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

#### **7. RECOMMENDATION**

**The Board considers the terms of the Return of Value to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution as the Directors and their connected persons intend to do or procure that their nominee(s) do in respect of their own beneficial holdings amounting to 23,350,092 Existing Ordinary Shares and/or Depositary Interests in aggregate, representing approximately 32.56 per cent. of the current issued share capital of the Company (excluding shares deemed to be held in treasury).**

Yours faithfully

**Ken Randall**

*Chairman*

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## 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 and are not set out in any order of priority.*

#### 1. RISKS RELATING TO THE GROUP AND ITS INDUSTRY

The following risks are deemed to be the principal risks facing the Group. These are analysed between Insurance, Strategic, Operational, Regulatory and Other risks.

##### **Insurance Risk**

The main insurance risks which affect the insurance companies and syndicates (both run-off and active) on which the Group participates are:

##### ***Pricing risk***

The risk that coverage provided by the Group's insurance policies is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.

##### ***Claims risk***

A series of claims in respect of a latent liability that the insurance industry is not currently aware of and/or a higher level of attritional losses and catastrophe related losses than anticipated and/or modelled on the policies underwritten in the active syndicates.

##### ***Reinsurance risk***

The risk that the reinsurers of the insurance companies will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover, especially of large catastrophe related losses in the active syndicates on which the Group participates.

##### ***Legal risk***

Changes in statute or legal precedent.

##### ***Reserving risk***

The risk that the provisions established by the companies prove to be inadequate.

##### ***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, Europe, the US and elsewhere in the world; changes in the supply and demand of capital, industrial disruption, concerns about terrorism and war; natural disasters; 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.

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### ***Capital Management***

Growth within the Group may be constrained by the availability of capital. As part of the yearly budget process, the Group considers any requirements for capital to expand the existing operations and to fund the likely acquisition pipeline of legacy insurance assets or investment in its syndicate participations. This capital requirement is monitored on an ongoing basis. The visibility of pipeline acquisitions is limited and the ability to complete transactions on the terms desired uncertain. The majority of the Group's insurance entities are subject to external risk based or minimum capital requirements which are subject to change, which may be unforeseeable.

### ***Investment performance***

The insurance companies in run-off owned by the Group and the syndicates (both run-off and active) on which the Group participates 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 credit spreads, interest rates, credit ratings, default rates 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.

### **Strategic Risk**

#### ***Business Growth and Integration Risk***

The Group's operations have grown significantly in recent years both organically and through acquisition. Where growth occurs without requisite management controls in place there is an increased risk that business objectives are not aligned, new business targets not met and costs not adequately managed. The Directors seek to mitigate this risk through detailed budgeting, a regular flow of management information, including the preparation and analysis of monthly management accounts, and regular communication within the divisions.

#### ***Failure to Deliver Objectives***

Where there is a lack of understanding or cooperation across divisions, there is a risk that the Groups objectives will not be met. The Directors seek to mitigate these risks through regular reporting and communications throughout the Group.

#### ***Key Man Dependency***

Appropriate succession planning arrangements are considered by the Directors to ensure that business operations are not disrupted by the loss of key staff. The Group has developed strength and depth across its management structures and believes its Human Resource policies are appropriate to retain such staff and recruit any appropriately skilled people required. However, the Group's reputation and standing is still significantly linked to the involvement of its founding directors, Ken Randall and Alan Quilter. A significant amount of knowledge, especially with regard to the terms of acquisition and detail of certain of the insurance company subsidiaries also lies with Ken Randall especially and is not easily replaceable.

### **Operational Risk**

#### ***Competition***

The Group operates in an environment in which it faces competition from current and potential competitors. The Group may not be able to compete effectively with such competitors, particularly those with far greater capital resources.

#### ***Systems and processes***

This is the risk that errors caused by people, processes, systems or external events lead to losses. The Group seeks to manage this risk with detailed policies and procedures addressing each potential source of risk.

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***Reliance on Group IT and Communications***

The Group may be unable to operate efficiently or in a timely manner in the event of a partial or complete failure of the IT infrastructure and/or telephone systems. This is particularly important for the Group's active underwriting operations.

***Group Cash Flow Risk***

If cash flows are not managed, this will adversely affect the Group's ability to meet debt and claims repayments and sustain its distribution policy. The Group actively manages its cash flow to ensure that operating cash flow requirements, debt repayments (together with interest payable) and claims payments can be met and the Group's distribution policy sustained. The Group undergoes a thorough annual budgeting process, which includes a monthly Group cash flow projection, against which actual movements are regularly monitored.

***Liquidity Risk***

Liquidity risk is the risk that cash may not be available to pay obligations when due. The cash position of each entity is monitored on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due. Funds required to meet immediate and short term needs are invested in money market funds or short term deposits. Funds in excess of those required to meet short term needs are managed by external fund managers or placed in UCITS funds or Collective Investment Schemes. The investment performance of the fund managers and pooled funds is closely monitored throughout the year by the Group investment committee and insurance company boards.

***Regulatory Risk***

The insurance industry is heavily regulated in most jurisdictions. The majority of the insurance companies owned by the Group and Lloyd's syndicates in which the Group participates are subject to the insurance regulatory systems 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 at significant cost.

Regulatory agencies that operate in the Group's jurisdictions have broad administrative power over many aspects of the Group's insurance business. These powers may influence premium rates, marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. Government regulators that operate in the jurisdictions will be concerned primarily with the protection of policyholders rather than shareholders or creditors.

In addition, the relevant members of the Group may not be able to comply fully with, or obtain appropriate exemptions from, any amendments to a regulatory regime. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to conduct business in one or more of the jurisdictions in which it operates and could result in the imposition of fines and other sanctions, each of which could have a material adverse effect on its reputation, financial condition and/or operating results.

Failure to comply with applicable regulations and solvency requirements, including the proposed EU Solvency II legislation and equivalency in other jurisdictions, could result in an impediment of business development and/or a variety of sanctions. The Group's failure to gain and/or maintain a sufficiently high Solvency II rating for its Lloyd's managing agency could in particular impede its business development in the Underwriting Management Division. The Directors are responsible for ensuring that best practice is applied to ensure regulatory compliance.

In addition, changes in the laws and regulations to which the Group's insurance operations are subject could have a material adverse effect on the Group's business and may increase the costs of complying with such laws and regulations.

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A curtailment of certain of the licences held by Lloyd's or a deterioration in the credit rating and standing of Lloyd's could also adversely affect the Group's business and its future development, especially of its active underwriting operations.

## **Other Risks**

### ***Currency Risk***

The Group is potentially exposed to currency risk in respect of liabilities generated through regular trading activity which are denominated in currencies other than Sterling. The most significant foreign currencies to which the companies are exposed are the US Dollar and the Euro. Group policy requires that the Directors seek to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. However, in certain asset classes, much better priced investment opportunities exist in Sterling and Euros rather than US Dollar denominated investments due to an aversion to non-US risk by US investors following the recent credit crisis. In certain of the Group's insurance company portfolios the Group has therefore put in place rolling foreign exchange hedges to mitigate any foreign exchange mismatch between the investments held and the underlying liabilities, rather than directly hold assets and liabilities in the same currency.

### ***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 25 April 2014, being the latest practicable date prior to the printing of this document:

- Ken Randall and his family owned approximately 25.69 per cent. of the Existing 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 Existing Ordinary Shares in future.
- Phoenix Asset Management Partners Limited owned approximately 11.62 per cent. of the Existing Ordinary Shares. As a result, Phoenix 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 Existing Ordinary Shares in future.

## **2. RISKS RELATING TO TAXATION**

### **UK taxation**

The general guide on UK taxation in relation to the Return of Value set out in Part 7 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 P Shares and Q Shares.

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## PART 3

### MAKING YOUR ELECTION IN RESPECT OF THE ALTERNATIVES

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 in accordance with the instructions set out in paragraph 1 of this Part 3. DI Holders who hold Depositary Interests in respect of 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 Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Form of Election or make an election through CREST. Q Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives. Shareholders who hold certificated shares should still complete and return the Form of Proxy and ensure the completed Form of Proxy is received by Computershare by 12.00 noon. on 19 May 2014. DI Holders should either complete a Form of Instruction (copies of which can be found on the Company's website at [www.rqih.com](http://www.rqih.com)) or place an instruction through the CREST system to direct the Custodian to cast votes on their behalf in respect of their Depositary Interests at the General Meeting. Completed Forms of Instruction and votes cast through the CREST system must be received by Computershare by 12.00 noon. on 16 May 2014.**

#### 1. COMPLETING YOUR FORM OF ELECTION

The following instructions describe what Shareholders should do when completing a Form of Election. Any decisions reached by Shareholders between the 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 24 April 2014 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 5.00 p.m. on 21 May 2014), then this number will also be the same as their Share Entitlement 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 their Share Entitlement corresponding to the number of Existing Ordinary Shares that will be registered in his/her name at the Record Time.

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

- To elect for the **Capital Alternative** in respect of all of their Share Entitlement, Shareholders should mark an “X” in Box 1.
- To elect for the **Dividend Alternative** in respect of all of their Share Entitlement, Shareholders should take no further action. Shareholders who do not complete or return the Form of Election will automatically receive only Q Shares in respect of all of their Share Entitlement on which the Special Dividend will be paid.

### **Shareholders may split their Share Entitlement between both Alternatives**

To split their Share Entitlement between both Alternatives, Shareholders should enter, in numbers, the number of Existing Ordinary Shares of their total Share Entitlement they wish to elect for the Capital Alternative (if any) in Box 1. Any remaining Share Entitlement will be deemed as an election to receive the Dividend Alternative thereon.

### **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 Box 1 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 Box 1 and insert a number greater than their total Share Entitlement:

- first, they will be deemed to have elected for the Capital Alternative in respect of their entire Share Entitlement; and
- second, if any Form of Election is unclear as to the Shareholder’s election, they will be deemed to have elected for the Dividend Alternative in respect of their entire Share Entitlement.

### **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 Box 1 of the Form of Election 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 Dividend Alternative in respect of the balance of their holding.

### **Subsequent dematerialisation of Existing Ordinary Shares**

If the Existing Ordinary Shares to which any election made on the enclosed Form of Election relates are currently held in certificated form and are subsequently dematerialised into Depositary Interests before the Election Deadline (or such later time and/or date as the Directors may determine), any election made by the submission of a Form of Election will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in Depositary Interest form in CREST as DI Holders will need to give a valid USE Instruction in place of the submitted Form of Election by the Election Deadline.

### **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 USE 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.

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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 2.4 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. If Shareholders sign in Box 3A or 3B, as appropriate, but do not complete Box 1, they will be deemed to have elected for the Dividend Alternative in respect of their entire Share Entitlement.

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 so as to be received by Computershare by 11.00 a.m. on 30 May 2014. The Form of Election should be sent by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH (postage will be payable) or delivered by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Shareholders who do not validly complete and return their Form of Election or DI Holders who do not send a valid USE instruction, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

## **2. CREST (DI HOLDERS)**

In order to facilitate the Alternatives, DI Holders will, for the purposes of allowing an election in CREST only, be credited with one interim CREST entitlement under the ISIN BMG7371X1222 for each Depositary Interest held by them at the Record Time (expected to be 5.00 p.m. on 21 May 2014). These interim CREST entitlements will be enabled in CREST for the period from 22 May 2014 until the Election Deadline. During this period those DI Holders will have their CREST accounts credited with the interim CREST entitlement security to allow them to elect electronically through the CREST system.

DI Holders will not be sent a Form of Election with this document. To make an election, DI Holders should accordingly take (or procure to be taken) the action set out below to transfer the number of interests (by means of a USE Instruction) in respect of Existing Ordinary Shares held at the Record Time.

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

### **HOW TO ELECT FOR THE CAPITAL ALTERNATIVE**

To make an election, DI Holders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a USE 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 interim CREST entitlements being elected for the Capital Alternative;
- (b) the participant ID of Computershare, which is RA64;
- (c) the member account ID of Computershare, which is RQIHLTD;
- (d) the ISIN for the interim CREST entitlements, which is BMG7371X1222;



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- (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 USE instruction, which should be as soon as possible and in any event not later than the Election Deadline;
  - (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 Dividend Alternative**

DI Holders who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no action. Shareholders who do not give a USE Instruction will automatically receive the Dividend Alternative in respect of all of their Share Entitlement.

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

If a DI Holder sends a USE Instruction which details a number of interim CREST entitlements which in total is less than their holding of Depositary Interests at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

#### **Subsequent rematerialisation of Existing Ordinary Shares**

If the interests in respect of Existing Ordinary Shares to which any USE instruction relates are held in CREST and are subsequently rematerialised into certificated form and reflected on the Company's share register before the Election Deadline (or such later time and/or date as the Directors may determine) any USE instruction given in respect of those shares will become ineffective. DI Holders who subsequently hold their Share Entitlement in certificated form will need to submit a valid Form of Election bearing details of the new shareholding account by the Election Deadline. Forms of Election can be obtained by telephoning the Registrar on 0870 707 4040 (or if calling from outside the UK +44 (0)870 707 4040) between 8.30 a.m. and 5.30 p.m. on any Business Day.

#### **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 USE 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 USE 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 USE 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 USE 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 5 of Part 5 of this document). No authority conferred by or agreed to by the giving of a USE 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 USE Instruction**

In order for an election through CREST to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 11.00 a.m. on 30 May

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2014. CREST members and (where applicable) their CREST sponsors should note that the last time at which a USE Instruction may settle is 11.00 a.m. on 30 May 2014.

**DI Holders (other than those resident in a Restricted Territory) who do not send a valid USE Instruction will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.**

**Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an instruction through CREST and its settlement in connection with this event. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action to ensure that a valid application is made through the CREST system as stated above by 11.00 a.m. on 30 May 2014.**

After 11.00 a.m. on 30 May 2014, the interim CREST entitlements are expected to be disabled in CREST and subsequently cancelled.

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## PART 4

### QUESTIONS AND ANSWERS

#### in respect of the Return of Value

*This part of the document sets out some commonly asked questions in relation to the Return of Value 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 the Resolution to be proposed at the General Meeting.*

#### 1. WHAT IS BEING PROPOSED?

The Company intends to return to Shareholders 5 pence for each Existing Ordinary Share that they hold at the Record Time (expected to be 5.00 p.m. on 21 May 2014). The Return of Value will be made in the form of P Shares and Q Shares.

#### 2. WHAT CHOICES DO I HAVE?

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

**You should note that, although the P Shares and Q Shares are transferable, they will not be listed or admitted to trading on AIM or on any other recognised investment exchange and there will be no formal market for the P Shares or the Q Shares. Your ability to sell the P Shares and the Q Shares is therefore likely to be limited and no documents of title will be issued.**

#### 3. WHAT IS MY TAX POSITION?

If you are a Shareholder resident in the UK, a tax liability may arise in respect of your P Shares and Q Shares depending on your individual circumstances. Details of the UK tax implications of the Return of Value are set out in Part 7 of this document. Shareholders who are subject to tax outside of the UK should consult their own independent professional adviser.

#### 4. DO I NEED TO DO ANYTHING?

Yes. The Return of Value is subject to Shareholder approval of the Resolution. In order for the Return of Value to become effective you should exercise your right to vote, as follows:

- If you hold your shares in certificated form, you can vote by completing and returning the enclosed Form of Proxy to Computershare.
- If you are a DI Holder, you can direct the Custodian to cast votes on your behalf either by completing a Form of Instruction (copies of which can be found on the Company's website at [www.rqih.com](http://www.rqih.com), or by requesting a hard copy from the Group Company Secretary at 110 Fenchurch Street, London EC3M 5JT or on +44 (0) 207 780 5850) or by placing an instruction through the CREST system.

Your Board recommends that you vote in favour of the Resolution. Shareholders who hold their shares in certificated form are strongly urged to complete, sign and return the enclosed Form of Proxy as soon as possible, so as to be received by Computershare not later than 12.00 noon, on 19 May 2014. DI Holders are strongly urged to complete and sign an appropriate Form of Instruction or place an instruction through the CREST system in respect of the Resolution, in each case to ensure their direction as to voting is received by Computershare not later than 12.00 noon, on 16 May 2014.

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Alternatively, you can vote in person by attending the General Meeting, which will be held at 12.00 noon. on 21 May 2014 at 130 Fenchurch Street, 12th Floor, London EC3M 5DJ. DI Holders wishing to attend the General Meeting should contact the Custodian at The Pavilions, Bridgwater, Bristol BS13 8AE by no later than 12.00 noon. on 16 May 2014. Notice of the General Meeting is set out in Part 9 of this document.

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

**5. DO I NEED TO COMPLETE THE FORM OF ELECTION?**

If you wish to receive the Dividend 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) or, if you are a DI Holder and you do not make a valid election in respect of the Alternatives through CREST, you will be deemed to have elected for the Dividend Alternative in respect of all of your Share Entitlement.

If you would like to receive some or all of your consideration in the form of Capital Alternative, you should indicate your choice by completing and signing the enclosed Form of Election and return it so as to be received by Computershare by not later than 11.00 a.m. on 30 May 2014. Instructions on how to complete the Form of Election are printed on the form itself.

DI Holders will not be sent a Form of Election. They will, however, be able to make their election by way of a USE instruction through the CREST system to be received by Computershare by not later than 11.00 a.m. on 30 May 2014. Further information for DI Holders 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.

**6. 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 by 11.00 a.m. on 30 May 2014 or, if you are a DI Holder and you do not send a valid USE instruction for settlement by 11.00 a.m. on 30 May 2014, you will be deemed to have chosen to elect for the Dividend Alternative in respect of your entire Share Entitlement.

**7. MY DIVIDENDS ARE PAID DIRECTLY INTO MY BANK ACCOUNT. DO I NEED TO CHANGE THE EXISTING INSTRUCTION?**

No, your present dividend payment mandate, unless revoked or amended, will continue to be valid for dividends from the Company in respect of the Existing Ordinary Shares and for the Special Dividend in respect of the Q Shares only. The mandate will not apply for any Capital Repayment.

**8. 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 2.6 of Part 5 of this document.

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## PART 5

### DETAILS OF THE RETURN OF VALUE AND RESOLUTIONS

#### 1. PROPOSALS

This document contains, at Part 9, notice of a General Meeting at which a resolution will be proposed to approve the proposed return of cash pursuant to the Return of Value which will be effected by the Capital Reorganisation and the Alternatives, and an increase in the Company's authorised share capital to permit the creation of the P Shares and the Q Shares pursuant to the Return of Value.

This Part 5 provides background and detail to the Return of Value and the Resolution.

#### 2. RETURN OF VALUE

##### 2.1 Conditions to the implementation of the Return of Value

The return of cash pursuant to the Return of Value is conditional on the passing of the Resolution at the General Meeting.

##### 2.2 Capital Reorganisation

The proposed Capital Reorganisation consists of the Alternatives and the Reduction of Capital.

##### *Issue of P Shares and Q Shares*

It is proposed to capitalise a sum not exceeding £3,597,054 standing to the credit of the Company's share premium account which will be applied in paying up in full up to an aggregate maximum of 71,941,080 P Shares and Q Shares to be allotted to Shareholders (at the election of Shareholders) on the basis of one P Share or one Q Share for each Existing Ordinary Share held at the Record Time (whether in certificated form or in the form of Depositary Interests).

The exact number of P Shares and Q Shares to be issued will be equal to the number of Existing Ordinary Shares in issue at the Record Time. As at 25 April 2014 (being the latest practicable date prior to the publication of this document) there were 71,776,080 Existing Ordinary Shares in issue, of which 68,338 were held by IFG Trust Company (Channel Islands) Limited as trustee of the Randall & Quilter Investment Holdings Ltd. Employee Benefit Trust for transfer to option holders who exercise their options pursuant to the terms of the Randall & Quilter Long Term Incentive Plan and other option arrangements ("**Options**") and are deemed to be held in Treasury. As at 25 April 2014 (being the latest practicable date prior to the publication of this document) there were 165,000 currently exercisable options under the Randall & Quilter Long Term Incentive Plan and other option arrangements, giving a potential fully diluted share capital at the Record Time of 71,941,080 ordinary shares.

The exact amount to be capitalised will depend on the number of Options exercised prior to the Record Time, but will not exceed £3,597,054.

The rights and restrictions to be attached to the P Shares and the Q Shares are more fully set out in Part 6 of this document. No application has been, or will be, made for the P Shares or the Q Shares to be listed or admitted to trading on AIM or any other investment exchange or trading platform. The Company will announce the exact number of P Shares and Q Shares issued under the proposed Capital Reorganisation by the date on which the Reduction of Capital becomes effective.

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### ***Reduction of Capital***

The implementation of the Reduction of Capital is subject to the approval of the Shareholders at the General Meeting. The exact amount of distributable reserves utilised in implementing the Return of Value will depend on the extent to which Shareholders elect (or are deemed to have elected) for the Dividend Alternative.

### **2.3 The Alternatives**

Shareholders may choose between the Alternatives (the Dividend Alternative and the Capital Alternative) or a combination of the Alternatives in respect of their Share Entitlement. Details of how to make an election are set out in Part 3 of this document and on the Form of Election enclosed with this document. DI Holders will not be sent Forms of Election. Such Shareholders may only elect in respect of the Alternatives through CREST and should refer to paragraph 2 of Part 3 of this document for further information.

#### **Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.**

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident in the UK for tax purposes and who hold their Existing Ordinary Shares, P Shares and/or Q Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document before electing for any of the Alternatives as the two Alternatives will have different UK tax consequences. Shareholders who are in any 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.

- ***Alternative 1 - Capital Alternative***

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one P Share for each corresponding Existing Ordinary Share they hold (whether in certificated form or in the form of a Depository Interest) at the Record Time.

Each such P Share will be cancelled pursuant to the Reduction of Capital and the holders of such shares will be entitled to receive the Capital Repayment of 5 pence for each P Share so cancelled.

The P Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the P Shares issued pursuant to the Capital Alternative.

Shareholders entitled to receive the Capital Repayment pursuant to the Capital Alternative will be sent cheques or receive a credit to their CREST accounts on or around 10 June 2014. The proceeds received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

To elect for the Capital Alternative in respect of some or all of their Share Entitlement, Shareholders should follow the instructions in Part 3 of this document or, if they hold Depository Interests, should refer to paragraph 2 of Part 3 of this document for further information.

The rights and restrictions to be attached to the P Shares are more fully set out in Part 6 of this document. The attention of Non-United Kingdom Shareholders is drawn to paragraph 2.5 of this Part 5.

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- *Alternative 2 - Dividend Alternative*

Shareholders who elect, or are deemed to have elected, for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one Q Share for each corresponding Existing Ordinary Share they hold (whether in certificated form or in the form of a Depository Interest) at the Record Time. A Special Dividend of 5 pence will, subject to the Reduction of Capital becoming effective, be payable on each such Q Share.

It is expected that Shareholders entitled to receive the Special Dividend will be sent cheques or, if mandate instructions are held, payments will be made by BACS to mandated accounts, on or around 10 June 2013.

Each Q Share will be cancelled pursuant to the Reduction of Capital.

The Q Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the Q Shares.

The amounts received under the Dividend Alternative should generally be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

Shareholders who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no further action and need not return their Form of Election or send a USE Instruction. To elect for the Dividend Alternative in respect of some only of their Share Entitlement, Shareholders should follow the instructions in Part 3 of this document or, if they hold Depository Interests, should refer to paragraph 2 of Part 3 of this document for further information.

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

The attention of Non-United Kingdom Shareholders is drawn to paragraph 2.5 of this Part 5.

## 2.4 **Withdrawal Rights**

Shareholders should note that any election, whether made by the signing of a Form of Election or the giving of a USE Instruction, relating to the Alternatives may be withdrawn by Shareholders at any time prior to the end of the Election Period. If an 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 Dividend Alternative in respect of all of their Share Entitlement. After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended. Shareholders wishing to withdraw their elections must submit a valid withdrawal instruction in writing, with Computershare before 11.00 a.m. on 30 May 2014. If such Shareholders wish to make a new election in respect of the Alternatives, they can request a replacement Form of Election or receive instructions on how to make a new election through CREST from Computershare. Shareholders who return a Form of Election will need to take into account the postal time necessary for the delivery of their withdrawal request and for a replacement Form of Election to reach Computershare by 11.00 a.m. on 30 May 2014.

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 USE Instruction must 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

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Existing Ordinary Shares in certificated form, appears on the front page of the relevant Form of Election) and the exact number of their Share Entitlement to be withdrawn.

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 re-elections may be made at any time prior to the end of the Election Period. Withdrawals and any re-elections in respect of Share Entitlements that are received by Computershare after the end of the Election Period will be deemed invalid for the purposes of the Alternatives. Any Shareholder who withdraws their election before the end of the Election Period and does not re-elect their Share Entitlement will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

The Company shall determine all questions as to the form and validity (including time and place of receipt) of all notices of withdrawal, in their 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 the Company, Computershare 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 re-election.

## **2.5 Non-United Kingdom Shareholders**

Non-United Kingdom Shareholders should consult their professional advisers to ascertain whether the Return of Value (including, as may be relevant in each case, the creation, holding or cancellation of the P Shares and/or the Q Shares) 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 Non-United Kingdom Shareholder 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.

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 USE 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 any 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 or both of the 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 or both of the 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 USE Instruction by a Non-United Kingdom Shareholder, such Non-United



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Kingdom Shareholder shall be deemed to have elected to receive the Dividend Alternative (unless the Directors otherwise determine in their absolute discretion).

The above provisions of this paragraph relating to Non-United Kingdom Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Directors in their absolute discretion.

## **2.6 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.

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.

Under the terms of the Long Term Incentive Plan, the Directors have discretion to make such adjustment to the number of Ordinary Shares to which the option(s) apply or to the exercise price of the options following an alteration in the Company's share capital by way of a capitalisation. In view of the nature of the Return of Value and the fact that holders of options would not be entitled to receive any dividends paid by the Company, the Directors do not expect to exercise this discretion to make any adjustment to options granted under the Long Term Incentive Plan. Holders of options are therefore expected to hold the same number of shares under their options at the same exercise price following the Return of Value as they did before.

The Group 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.

## **2.7 Dealings and despatch of documents**

The Return of Value will be made by reference to holdings of Existing Ordinary Shares held in certificated form recorded on the Company's register of members, and holdings of Depositary Interests on the Company's register of Depositary Interests, at the Record Time.

No share certificates will be issued by the Company in respect of P Shares, Q Shares or interim CREST entitlements.

Shareholders entitled to receive the Special Dividend are expected to be sent cheques or, if mandate instructions are held, payments are expected to be made by BACS to mandated accounts on or around 10 June 2014.

Shareholders entitled to receive the Capital Repayment pursuant to the Capital Alternative are expected to be sent cheques or receive a credit to their CREST account on or around 10 June 2014.

All documents and cheques will be sent by, to, from or on behalf of a Shareholder will be sent entirely, at the risk of the Shareholder entitled to them. Documents sent to Shareholders will be sent to the registered address of the first named Shareholder.

Subject to any instructions to the contrary, dividend payment mandates in respect of holdings of Existing Ordinary Shares and Depositary Interests will continue to apply.

## **3. GENERAL MEETING AND EXPLANATION OF THE RESOLUTION**

The Return of Value requires the approval of the Resolution by Shareholders at the General Meeting. Notice of the General Meeting is set out in Part 9 of this document. The General Meeting will be held at 130 Fenchurch Street, 12th Floor, London EC3M 5DJ at 12.00 noon, on 21 May 2014.

Shareholders will find enclosed with this document a Form of Proxy for use in respect of the General Meeting.

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**Whether or not Shareholders intend to be present at the General Meeting:**

- **Shareholders who hold their Existing Ordinary Shares in certificated form are requested to complete and sign the accompanying Form of Proxy, in accordance with the instructions printed on it, and ensure that such Form if Proxy is received by Computershare, Corporate Actions Projects, Bristol BS99 6AH as soon as possible, and in any event no later than 12.00 noon. on 19 May 2014.**
- **DI Holders are requested to either complete a Form of Instruction (available from the Company's website at [www.rqih.com](http://www.rqih.com), or by requesting a hard copy from the Group Company Secretary at 130 Fenchurch Street, London EC3M 5JT or on +44 (0) 207 780 5850) in respect of their Depository Interests, or complete an appropriate instruction in respect of the Resolution through CREST, and ensure that such Form of Instruction or instructions placed through CREST are received by Computershare, Corporate Actions Projects, Bristol BS99 6AH, as soon as possible, and in any event no later than 12.00 noon. on 16 May 2014.**

The return of a completed Form of Proxy or Form of Instruction, or placing of instructions through CREST in respect of the Resolution, will not prevent a Shareholder from attending the General Meeting and voting in person (in substitution for their proxy vote or instructions given pursuant to a Form of Instruction or by CREST, as appropriate) should they wish to do so and are so entitled. DI Holders wishing to attend the General Meeting should contact Computershare in its capacity as custodian of the Depository Interests at The Pavilions, Bridgwater, Bristol BS13 8AE or by emailing [!UKDIALTeam2@computershare.co.uk](mailto:UKDIALTeam2@computershare.co.uk) by no later than 12.00 noon. on 16 May 2014.

The Resolution will be proposed as a special resolution and will be passed if at least 75 per cent. of the votes cast (whether in person or by proxy) are in favour. Shareholders are asked to:

- (i) approve the creation of, and to increase the authorised share capital of the Company to permit the creation of, the P Shares and Q Shares;
- (ii) authorise the Directors to:
  - (a) capitalise a sum not exceeding £3,597,054 standing to the credit of the Company's share premium account to pay up in full the P Shares and Q Shares; and
  - (b) allot and issue the P Shares and Q Shares up to an aggregate nominal amount of £3,597,054 to Shareholders on the basis of one P Share or one Q Share for each Existing Ordinary Share held at the Record Time. The authority granted to the Directors will expire on 30 June 2014;
- (iii) provide for the payment of the Special Dividend on the Q Shares, subject to the Company having sufficient distributable reserves and the Reduction of Capital becoming effective; and
- (iv) reduce the share capital of the Company by:
  - (a) the cancellation and repayment of the P Shares; and
  - (b) the cancellation of the Q Shares

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## PART 6

### RIGHTS AND RESTRICTIONS ATTACHED TO THE P SHARES AND Q SHARES

The following summarises the rights and restrictions to attach to the P Shares and Q Shares proposed to be created to effect the Return of Value. The full text of the rights and restrictions that will attach to the P Shares and Q Shares are set out in the P/Q Share Schedule which may be found at [www.rqih.com](http://www.rqih.com). If you wish to receive a hard copy of the P/Q Share Schedule please contact the Group Company Secretary at 110 Fenchurch Street, London EC3M 5JT or on +44 (0) 207 780 5850.

#### 1. RIGHTS AND RESTRICTIONS ATTACHED TO THE P SHARES

##### 1.1 Form of Election

1.1.1 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 uncertificated form as Depositary Interests, do not send a valid USE instruction by 11.00 a.m. on 30 May 2014 (or such later time and/or date as the Directors may determine in their absolute discretion), in relation to some or all of their Share Entitlement will be deemed to have elected for the Dividend Alternative in respect of each Existing Ordinary Share held by them.

1.1.2 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Form of Election or USE instruction, 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 or USE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

##### 1.2 Income

The P Shares shall confer no right to participate in the profits of the Company.

##### 1.3 Capital

1.3.1 Except as provided in paragraph 1.5 below, on a return of capital on winding-up or otherwise, the holders of P Shares shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company to 5 pence for each P Share held by them.

1.3.2 On a winding-up, the holders of the P Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in paragraph 1.3.1 above. In the event that there is a winding-up to which paragraph 1.3.1 above applies and the amounts available for payment are insufficient to pay the amounts due on all the P Shares in full, the holders of the P Shares shall be entitled to their *pro-rata* proportion of the amounts to which they would otherwise be entitled.

1.3.3 The aggregate entitlement of each holder of P Shares on a winding-up in respect of all of the P Shares held by him shall be rounded up to the nearest penny.

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

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#### 1.4 **Voting and general meetings**

The holders of P Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

#### 1.5 **Class rights**

1.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the P Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the P Shares) shall be treated as being in accordance with the rights attaching to the P Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the P Shares.

1.5.2 A reduction by the Company of the capital paid up or credited as paid up on the P Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the P Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the P Shares.

1.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the P Shares for any purpose or require the consent of the holders of the P Shares.

1.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of the holders of ordinary shares, P Shares or Q Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any entitlements of holders of P Shares as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the P Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the P Shares for any purpose.

#### 1.6 **Conversion to Deferred Shares**

In the event that the P Shares have not been cancelled pursuant to the Return of Value by 8.00 a.m. on 30 June 2014, each issued P Share shall immediately, automatically and without further action on the part of the Company convert into one Deferred Share having the rights described in paragraph 3 below.

## 2. **RIGHTS AND RESTRICTIONS ATTACHED TO THE Q SHARES**

#### 2.1 **Form of Election**

2.1.1 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 uncertificated form as Depositary Interests, do not send a valid USE instruction by 11.00 a.m. on 30 May 2014 (or such later time and/or date as the Directors may determine in their absolute discretion), in relation to some or all of their Share Entitlement will be deemed to have elected for the Dividend Alternative in respect of such Existing Ordinary Share held by them.

2.1.2 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Form of Election or USE instruction, 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 or USE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

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## 2.2 Income

2.2.1 Out of the profits available for distribution, a special dividend of 5 pence per Q Share shall, subject to such conditions as the Directors may determine, become payable to the holders of Q Shares in priority to any other classes of shares.

2.2.2 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the date on which the Special Dividend is declared or paid.

## 2.3 Capital

The holders of the Q Shares will not be entitled to be paid any amount on a return of capital on a winding-up or otherwise.

## 2.4 Voting and general meetings

The holders of Q Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

## 2.5 Class rights

2.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the Q Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the Q Shares) shall be treated as being in accordance with the rights attaching to the Q Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Q Shares.

2.5.2 A reduction by the Company of the capital paid up or credited as paid up on the Q Shares without the payment of any amount to holders of the Q Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the Q Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Q Shares.

2.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the Q Shares for any purpose or require the consent of the holders of the Q Shares.

2.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of the holders of ordinary shares, P Shares or Q Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any entitlements of holders of Q Shares as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the Q Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the Q Shares for any purpose.

## 2.6 Conversion to Deferred Shares

In the event that the Q Shares have not been cancelled pursuant to the Return of Value by 8.00 a.m. on 30 June 2014, the then each issued Q Share shall immediately, automatically and without further action on the part of the Company convert into one Deferred Share having the rights described in paragraph 3 below.

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### **3. RIGHTS AND RESTRICTIONS ATTACHING TO THE DEFERRED SHARES**

#### **3.1 Income**

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

#### **3.2 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:

3.2.1 first, paying all amounts due to the Preference A Shareholder under Bye-law 17 of the Existing Bye-Laws and New Bye-Laws;

3.2.2 secondly, paying all amounts due to the Preference B Shareholder under Article 29 of the Existing Bye-Laws and New Bye-Laws; and

3.2.3 thirdly, paying to the holders of the Existing Ordinary Shares the nominal capital paid up or credited as paid up on the Existing Ordinary Shares held by them respectively, together with the sum of £100 on each Existing Ordinary Share.

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

#### **3.2 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.

#### **3.3 Class rights**

3.3.1 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.

3.3.2 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 Bermuda Companies Act) without obtaining the consent of the holders of the Deferred Shares.

#### **3.4 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.

#### **3.5 Purchase**

3.5.1 The Company may at any time (and from time to time), subject to the provisions of the Bermuda 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

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(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.

3.5.2 All Deferred Shares purchased by the Company shall be cancelled.

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## PART 7

### UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF VALUE

*The comments below are intended only as a general guide to the current tax position under United Kingdom law and HMRC practice and are not intended to be and should not be construed as legal or taxation advice to any particular Shareholder. These comments apply to Shareholders who are resident in the United Kingdom for tax purposes, are the beneficial owners of their Existing Ordinary Shares and hold such shares as investments and not on trading account. The position may be different for any future disposal and may alter between the date of this document and the date of the Reduction of Capital. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction outside the United Kingdom should consult their independent professional adviser.*

#### **ISSUE OF THE P SHARES AND Q SHARES**

The steps by which P Shares and/or Q Shares are issued to holders of Existing Ordinary Shares should constitute a reorganisation of share capital and as such, should not itself constitute a disposal or part disposal of Existing Ordinary Shares for the purposes of the taxation of chargeable gains. The P Shares and Q Shares should 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 P Shares and/or Q Shares and Existing Ordinary Shares will therefore have the same aggregate base cost as the Shareholder's holding of Existing Ordinary Shares immediately before the issue of the P Shares and Q Shares.

#### **CAPITAL REPAYMENT ON P SHARES UNDER THE REDUCTION OF CAPITAL**

The Capital Repayment made to Shareholders in respect of the cancellation of each P Share should not be treated as an income distribution and therefore should not be subject to tax as income in the hands of Shareholders and accordingly will carry no tax credit.

The cancellation of the P Shares under the Reduction of Capital will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains. This may give rise to a chargeable gain or an allowable loss, depending upon the Shareholder's circumstances, including the Shareholder's base cost in the P Shares. It is expected that the Shareholder's original base cost in the Existing Ordinary Shares will be apportioned between his Existing Ordinary Shares and his P Shares, by reference to their respective market values when the P Shares are cancelled. For these purposes, it is expected that HMRC will calculate the market value of Existing Ordinary Shares by reference to the Closing Price on the day the Reduction of Capital becomes effective. It is expected that the market value of each P Share on that date will be approximately 5 pence. Any gains realised by individual Shareholders above their annual exemption (£11,000 for the tax year 2014/2015) would be subject to capital gains tax at 18 per cent. to the extent that a Shareholder's total income and gains do not exceed an individual's basic rate band (£31,865 for the tax year 2014/2015). To the extent that a Shareholder's total income and gains exceed the basic rate band, an individual Shareholder would be subject to capital gains tax on any gains realised on the disposal of the P Shares at 28 per cent.

Gains realised by Shareholders who are subject to corporation tax would be subject to corporation tax on chargeable gains at their marginal rate (the current main rate of corporation tax effective from 1 April 2014 being 21 per cent.).

#### **PAYMENT OF SPECIAL DIVIDEND ON Q SHARES**

The payment of the Special Dividend in respect of each Q Share should be treated as an income distribution.

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An individual Shareholder who is resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of the Special Dividend, currently equal to one-ninth of the cash dividend received or 10 per cent. of the aggregate of the cash dividend received and the related tax credit (together the “gross dividend”). The related tax credit can be set against the individual Shareholder’s total liability to income tax on the Special Dividend.

An individual Shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of 10 per cent. on the gross dividend and so the tax credit will satisfy in full the individual Shareholder’s liability to income tax on the dividend received.

An individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder’s income, falls above the threshold for higher rate income tax. The related tax credit will not fully satisfy the individual Shareholder’s liability to income tax on the gross dividend and the Shareholder will have to account for additional tax equal to 25 per cent. of the cash dividend received.

An individual Shareholder will be subject to tax at the rate of 37.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder’s income, falls above the threshold for additional rate income tax (£150,000 for tax year 2014/15). The related tax credit will not fully satisfy the individual Shareholder’s liability to income tax on the gross dividend and the Shareholder will have to account for additional tax of approximately 30.6 per cent. of the cash dividend received.

United Kingdom resident Shareholders who are not liable to United Kingdom tax on the Special Dividend will not be entitled to claim repayment of the tax credit attaching to the Special Dividend.

Corporate Shareholders who are resident in the United Kingdom will generally not be subject to corporation tax on the Special Dividend insofar as it constitutes an exempt distribution as referred to in Part 9A CTA 2009. Corporate Shareholders should consult their own tax adviser to ascertain which exempt class (if any) applies to them.

#### **CANCELLATION OF Q SHARES UNDER THE REDUCTION OF CAPITAL**

The cancellation of the Q Shares under the Reduction of Capital will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains (or allowable loss). However, it is expected that no chargeable gain should be realised by a Shareholder upon that disposal of his Q Shares.

#### **TRANSACTIONS IN SECURITIES**

If the transactions in securities legislation applied in respect of the Capital Repayment on the P Shares, Shareholders might be liable to taxation as if they had received a dividend equal to the amount received. The Company has not applied for a clearance from HMRC in this regard. However, the Company does not expect that the transactions in securities legislation will apply to Shareholders who elect for P Shares as the relevant conditions do not apply. If, however, the transactions in securities legislation were to apply, Shareholders who elect for P Shares are likely to be liable to taxation as if they had received a dividend equal to the Capital Repayment.

#### **STAMP DUTY AND STAMP DUTY RESERVE TAX**

Except in relation to depositary receipt arrangements or clearance services, where special rules apply:

- (a) no stamp duty reserve tax (“SDRT”) will be payable on the issue of the P Shares or Q Shares; and
- (b) an unconditional agreement to sell P Shares or Q Shares will normally give rise to a liability on the purchaser to SDRT, at a rate of 0.5 per cent. of the actual consideration paid. The

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conveyance or transfer on sale of P Shares or Q Shares outside the CREST system will generally be subject to stamp duty on the system of transfer at the same rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5).

If the relevant instrument of transfer is executed and duly stamped within six years of the date of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

The cancellation of the P Shares and the Q Shares pursuant to the Reduction of Capital should not give rise to any liability to stamp duty or SDRT.

Under the CREST system for paperless share transfers, deposits of shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the amount of value of the consideration. Paperless transfers of shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount of value of the consideration. CREST is obliged to collect SDRT from the purchaser of the shares on relevant transactions settled within the system.

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## **PART 8**

### **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. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and at the offices of Mills & Reeve LLP at Fountain House, 130 Fenchurch Street, London EC3M 5DJ, 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 Bye-Laws
- (b) the P/Q Share Schedule; and
- (c) this document.

28 April 2014

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## PART 9

### NOTICE OF GENERAL MEETING

# Randall & Quilter Investment Holdings Ltd

*(Registered in Bermuda with the company number 47341)*

(the “Company”)

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of the Company will be held at 130 Fenchurch Street, 12th Floor, London, EC3M 5DJ on 21 May 2014 at 12.00 noon. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

1. **THAT:**

- (a) in accordance with Bye-Law 312 of the Company’s Bye-Laws, the Directors be and are hereby authorised to create in the capital of the Company P Shares and Q Shares, such shares having those rights and restrictions ascribed to them as set out in the printed Schedule produced to the meeting marked “A” and initialled for the purpose of identification by the Chairman (“**P/Q Share Schedule**”), and the Company’s authorised share capital accordingly be increased from £5,000,002 comprised of 80,000,000 ordinary shares of par value 2 pence each, 1 cumulative redeemable preference A share of par value £1.00 and 1 cumulative redeemable preference B share of par value £1.00 to £6,000,002 comprised of 80,000,000 ordinary shares of par value 2 pence each, 1 cumulative redeemable preference A share of par value £1.00, 1 cumulative redeemable preference B share of par value £1.00, an aggregate of 71,941,080 P Shares of par value 5 pence each (“**P Shares**”) and Q Shares of par value 5 pence each (“**Q Shares**”) and the balance shall remain unallocated;
- (b) subject to the creation of the P Shares and the Q Shares pursuant to paragraph (a) of this Resolution, the Directors be and are hereby authorised to capitalise a sum not exceeding £3,597,054 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:
  - (i) as regards any issued ordinary share of 2 pence in the Company (the “**Existing Ordinary Shares**”) in respect of which the holder thereof or, if applicable, the holder of the Depositary Interest in respect thereof, has validly elected to receive a P Share by notifying the Company’s Registrars in a form approved by the Directors (or any authorised committee of the Directors) on or before 11.00 a.m. on 30 May 2014 (or such later time and/or date as the Directors may in their absolute discretion determine), one P Share of par value 5 pence which shall be designated a P Share, having the rights and restrictions set out in the P/Q Share Schedule proposed to be approved pursuant to paragraph (a) of this Resolution for each Existing Ordinary Share held and recorded on the register of members of the Company or, where applicable, for each existing Depositary Interest held and recorded on the register of Depositary Interests of the Company, at 5.00 p.m. on 21 May 2014 (or such other time and/or date as the Directors may determine); or
  - (ii) as regards any Existing Ordinary Share in respect of which the holder thereof or, if applicable, the holder of the Depositary Interest in respect thereof, has validly elected to receive a Q Share by notifying the Company’s Registrars in a form approved by the Directors (or any authorised committee of the Directors) on or before 11.00 a.m. on 30 May 2014 (or such later time and/or date as the Directors

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may in their absolute discretion determine), or any other Existing Ordinary Share in respect of which no such election as is referred to in sub-paragraph (i) of paragraph (b) of this Resolution has been made by the holder thereof, one Q Share of par value 5 pence which shall be designated an Q Share, having the rights and restrictions set out in the P/Q Share Schedule proposed to be approved pursuant to paragraph (a) of this Resolution for each Existing Ordinary Share held and recorded on the register of members of the Company, or, where applicable, for each existing Depositary Interest held and recorded on the register of Depositary Interests of the Company, at 5.00 p.m. on 21 May 2014 (or such other time and/or date as the Directors may determine),

and the Directors are hereby authorised to allot and issue such P Shares and Q Shares credited as fully paid up, up to an aggregate nominal amount of 5 pence in respect of each P Share and 5 pence in respect of each Q Share, provided that the authority hereby conferred shall expire on 30 June 2014;

- (c) a dividend of 5 pence per Q Share shall, subject to the Company meeting the solvency test as set out in section 54 of the Companies Act 1981 of Bermuda at the time of declaration and payment of such dividend and subject to the Reduction of Capital referred to in paragraph (d) of this Resolution being approved, be paid to those persons who become holders of Q Shares (or holders of Depositary Interests in respect thereof) and whose names appear on the registers of the Company as such at 6.02 p.m. on 3 June 2014, (“**Special Dividend**”);
- (d) following the issue and allotment of the P Shares and Q Shares referred to in paragraph (a) of this Resolution taking effect and following the declaration of the Special Dividend and subject to compliance with the Bermuda Companies Act 1981 of Bermuda, the capital of the Company shall be reduced by:
  - (i) cancelling and extinguishing all of the P Shares and repaying the capital of 5 pence per share paid up thereon to the holders of the P Shares whose names appear on the register of members of the Company as holders of P Shares (or holders of Depositary Interests in respect thereof) and whose names appear on the registers of Company as such at 6.03 p.m. on 3 June 2014 (or such later time and/or date as the Directors may in their absolute discretion determine); and
  - (ii) cancelling and extinguishing all of the Q Shares for 0 pence,  
(together referred to as the “**Reduction of Capital**”);
- (e) if the P Shares and the Q Shares have not been cancelled pursuant to the Return of Value by 8.00 a.m. (London time) on 30 June 2014, then each such P Share and Q Share shall immediately and automatically convert into one Deferred Share (a “**Deferred Share**”) having the rights and restrictions set out in the P/Q Share Schedule; and
- (f) the additional authorised but unissued share capital of the Company created pursuant to Resolution 1(a) above, resulting from the completion of the Reduction of Capital or resulting from the cancellation of any Deferred Shares shall not be allocated to any particular class of shares.

By Order of the Board

**Michael L Glover FCIS**  
*Company Secretary*

28 April 2014

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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## NOTES:

Only registered shareholders of the Company as at 5.00 p.m. on 19 May 2014 (or, if the meeting is adjourned, 5.00 p.m. on the date which is two business days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares held in certificated form or Depositary Interests registered in their respective names at that time. Changes to the Register of Members or Register of Depositary Interests after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.

### 1. Registered Shareholders

#### *Proxies*

Registered shareholders should complete the Form of Proxy enclosed with this Notice of the General Meeting. The Form of Proxy must be deposited in hard copy form by post, by courier or by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY United Kingdom not less than 48 hours before the time appointed for holding the said meeting or any adjourned meeting.

Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Every shareholder entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend and vote thereat instead of him/her, provided that each proxy is appointed to exercise the rights attaching to different shares held by the member.

Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.

To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Computershare at Computershare, Corporate Actions Projects, Bristol BS99 6AH. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.

### 2. Depositary Interests

#### *Forms of Instruction*

Holdings of Depositary Interests (“DI Holders”) are registered in the name of Computershare Investor Services PLC (“Custodian”). In order to have votes cast at the meeting on their behalf, DI Holders must complete the Form of Instruction. The Form of Instruction must be deposited in hard copy form by post, by courier or by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY United Kingdom not later than 12.00 noon. on 16 May 2014. The Custodian will cast votes on behalf of DI Holders in accordance with instructions received pursuant to valid Forms of Instruction.

#### *Electronic voting instructions through the CREST voting system*

Alternatively DI holders who are CREST members may issue an instruction by using the CREST electronic voting appointment service. Further details are set out below.

- (i) An instruction may be issued through the CREST electronic voting appointment service by using the procedures described in the CREST manual (available from [www.euroclear.com/CREST](http://www.euroclear.com/CREST)) subject to the provisions of the Company’s Bye-Laws. 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 services provider(s), who will be able to take the appropriate action on their behalf.
- (ii) In order for instructions made using the CREST service to be valid, the appropriate CREST message (a CREST Voting Instruction) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (EUI) and must contain the information required for such instructions, as described in the CREST Manual.
- (iii) To give an instruction through the CREST system, CREST messages must be received by the issuer’s agent (ID number 3RA50) not later than 12.00 noon. on 16 May 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer’s agent is able to retrieve the message. The Company may treat as invalid a CREST voting instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

The return of a completed Form of Instruction will not prevent you from attending the General Meeting and voting in person if you so wish. DI Holders wishing to attend the General Meeting should contact the Custodian at The Pavilions, Bridgwater, Bristol BS13 8AE by no later than 12.00 noon. on 16 May 2014.

### 3. Corporate Representatives

A registered shareholder that is a corporation and/or Computershare in its capacity as custodian of the Depositary Interests may, by written authorisation, elect to appoint a corporate representative in accordance with Bye-Law 188 of the Company’s Bye-Laws to attend and vote at the meeting, in which case the Company will require written proof of the representative’s

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appointment which must be lodged with Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE United Kingdom not less than 48 hours before the time appointed for holding the said meeting or any adjourned meeting.

Any corporation which is a member can appoint more than one corporate representative who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

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## DEFINITIONS

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

“AIM”	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 as amended from time to time;
“Alternatives”	the Dividend Alternative and the Capital Alternative, or either of them as the context may require;
“Bermuda Companies Act”	the Bermuda Companies Act 1981 as amended;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 4 of this document or a duly appointed committee of the Board;
“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 Alternative”	the allotment and issue of P Shares to be cancelled pursuant to the Reduction of Capital by the Company on 3 June 2014, or such later date as the Directors may determine;
“Capital Repayment”	the proposed repayment of 5 pence per P Share;
“Capital Reorganisation”	the reorganisation of the Company’s share capital comprising the creation and issue of the P Shares and Q Shares and the Reduction of Capital;
“Closing Price”	the closing middle market quotations as derived from the AIM Appendix of the Daily Official List on a particular day;
“Company” or “Randall & Quilter”	Randall & Quilter Investment Holdings Ltd., a company registered in Bermuda with company number 47341;
“Computershare”	Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS13 8AE;
“Custodian”	Computershare in its capacity as custodian of the Depositary Interests;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations;
“CTA 2009”	the Corporation Tax Act 2009;
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange;
“Deferred Shares”	the Deferred Shares of 5 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document and resulting from the conversion of P Shares and Q Shares in the event that the Reduction of Capital has not become effective by 8.00 a.m. on 30 June 2014;
“Depositary Interest”	the dematerialised depositary interests issued in respect of Existing Ordinary Shares;



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<b>“DI Holders”</b>	holders of Depositary Interests;
<b>“Dividend Alternative”</b>	the special dividend of 5 pence per Q Share;
<b>“Election Deadline”</b>	11.00 a.m. on 30 May 2014 (or such later time and/or date as the Directors in their absolute discretion may determine);
<b>“Election Period”</b>	the period from 28 April 2014 in the case of Shareholders who hold Existing Ordinary Shares in certificated form and 22 May 2014 in the case of Shareholders who hold Existing Ordinary Shares in Depositary Interest form until, in each case, 11.00 a.m. on 30 May 2014, during which time Shareholders may make elections pursuant to the Alternatives;
<b>“Euroclear”</b>	Euroclear UK and Ireland Limited, the operator of CREST;
<b>“Existing Bye-Laws”</b>	the Bye-Laws of the Company at the date of this document;
<b>“Existing Ordinary Shares”</b>	ordinary shares of par value 2 pence each in the capital of Randall & Quilter;
<b>“Form of Election”</b>	the form of election enclosed with this document, where this document is sent to Shareholders who hold their Existing Ordinary Shares in certificated form;
<b>“Form of Instruction”</b>	the form of instruction document for use by DI Holders in connection with the General Meeting. Copies of the Form of Instruction can be found on the Company’s website at <a href="http://www.rqih.com">www.rqih.com</a> ;
<b>“Form of Proxy”</b>	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting;
<b>“FSMA 2000”</b>	the Financial Services and Markets Act 2000;
<b>“General Meeting”</b>	the General Meeting of the Company (or any adjournment thereof) to be held at 130 Fenchurch Street, 12th Floor, London, EC3M 5DJ at 12.00 noon. on 21 May 2014;
<b>“Group”</b>	the Company and its subsidiary companies (as defined in the Bermuda Companies Act);
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“interim CREST entitlement”</b>	the entitlements which are expected to be credited on 22 May 2014 to the CREST accounts of holders of Depositary Interests at the Record Time;
<b>“London Stock Exchange”</b>	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 London Stock Exchange plc;
<b>“P Shares”</b>	the P Shares of par value 5 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document and as set out in full in the P/Q Share Schedule;
<b>“P/Q Share Schedule”</b>	details of the rights and restrictions proposed to attach to the P Shares and the Q Shares and as proposed to be approved by pursuant to the Resolution;

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<b>“New Bye-Laws”</b>	the bye-laws proposed to be adopted by the Company in place of the Existing Bye-Laws pursuant to the Resolution.
<b>“Q Shares”</b>	the Q Shares of par value 5 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document and as set out in full in the P/Q Share Schedule;
<b>“Overseas Shareholder”</b>	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;
<b>“Randall &amp; Quilter Long Term Incentive Plan” or “Long Term Incentive Plan”</b>	the Randall & Quilter Investment Holdings Ltd. Long Term Incentive Plan;
<b>“Record Time”</b>	5.00 p.m. on 21 May 2014 (or such other time and/or date as the Directors may determine);
<b>“Reduction of Capital”</b>	the proposed cancellation of the P Shares and Q Shares as described in this document;
<b>“Resolution”</b>	the resolution set out in the notice of the General Meeting contained in Part 9 of this document;
<b>“Restricted Territories”</b>	the United States, Canada and Australia;
<b>“Return of Value”</b>	the transactions comprising the Alternatives;
<b>“Share Entitlement”</b>	the entitlement of Shareholders to receive one P Share or one Q Share for each Existing Ordinary Share held at the Record Time;
<b>“Shareholders”</b>	holders of Existing Ordinary Shares, P Shares or Q Shares, whether such shares are held in certificated form or as Depositary Interests, as the context so requires;
<b>“Special Dividend”</b>	a special dividend of 5 pence per Q Share to be declared and paid in accordance with the Dividend Alternative;
<b>“USE instruction”</b>	unmatched stock event instruction to be used by CREST account holders;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“in uncertificated form”</b>	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;
<b>“Uncertificated Securities Regulations”</b>	the Uncertificated Securities Regulations 2001; and
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

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