

Private & Confidential

15 November 2013

Our Ref 2400(25)

Please ask for: Andrew Johnston
Direct Dial: 0141 249 5236

Email: andrew.johnston@bdo.co.uk

Dear Sir(s)

**RFC 2012 P.L.C. (formerly The Rangers Football Club P.L.C., “the Company”) - In Liquidation
Company Number: SC004276**

1. Introduction

We refer to our appointment as Joint Liquidators of the Company on 31 October 2012. This report should be read in conjunction with our previous update dated 22 May 2013.

This report is being sent to all known creditors and addresses the following aspects of the Liquidation process:

- In accordance with Rule 4.10(1) of the Insolvency (Scotland) Rules 1986, an update to creditors regarding progress in the liquidation to date
- Notification of the Liquidators’ remuneration and outlays as approved by the Liquidation Committee (“the Committee”)
- Notice of the annual general meeting of creditors to be held on 9 December 2013

As previously advised, this is a complex liquidation containing a number of key areas of investigation, each of which may have a significant impact on the ultimate outcome for creditors. However, due to the highly sensitive nature of certain aspects of these investigations, we consider that it is not appropriate to provide full details in respect of our investigations to date in this circular. In particular, we are not in a position to comment in detail upon the following matters:

- The litigation commenced by the former Joint Administrators against Collyer Bristow (“the CB litigation”, which has been mentioned briefly in the Administrators’ previous reports to creditors);
- The events leading up to the administration and the conduct of the former Joint Administrators;
- The conduct of the Company’s directors prior to the administration; and
- The appeal by HMRC in respect of the Employee Benefit Trust (“EBT”) decision.

As creditors may recall, the Committee was formed at the first statutory meeting of creditors held on 4 December 2012. The five members of the Committee represent the interests of the general body of creditors, and each has signed a confidentiality undertaking given the sensitive nature of the information to which they have access. Since its formation, four formal Committee meetings have been held in which the Joint Liquidators' investigations and the liquidation strategy have been discussed in detail. The Joint Liquidators will continue to liaise closely with the Committee as their investigations progress.

2. Receipts and Payments

We attach a summary of our receipts and payments for the six month period to 30 October 2013. We are unable to provide statement of affairs comparatives as, despite repeated requests, no statement of affairs has been submitted by the directors. We have included as comparatives the estimated assets and liabilities as provided by the former Joint Administrators.

The receipts and payments are in the main self explanatory but we would like to comment on the following items:

Administration Surplus

A gross surplus of £2.356m has now been received from the former Joint Administrators by way of a combination of cash and VAT refunds. The former Joint Administrators have yet to prepare a final accounting, however, we do not believe that there are any further funds to be passed to the Liquidation estate.

Book Debts

Since our last report, a further £995k has been received in respect of book debts, principally the penultimate instalment of £975k in relation to the transfer of Nikita Jelavic. The Joint Liquidators anticipate a further £1.058m being received from this source by 31 May 2014.

Liquidators' Remuneration and Outlays

As identified in our last report dated 22 May 2013, the Committee had previously approved the Joint Liquidators' remuneration as follows:

- For the period 31 October 2012 to 28 December 2012, remuneration of £226,253.35 and disbursements of £7,764.73 (all net of VAT); and
- For the period 29 December 2012 to 31 March 2013, remuneration of £398,800.65 and outlays of £7,311.02 (all net of VAT).

Following the expiry of the 14 day appeal period these fees and outlays were subsequently drawn from funds held in the liquidation estate.

Legal fees - Liquidation

To date, the following legal fees, which have been approved by the Committee, have been paid as an expense of the Liquidation:

Firm	Fees	Outlays
Brodies	£204,737.00	£3,673.62
Stephenson Harwood	£269,854.64	£162,699.55
Clyde & Co	£49,500.00	-
Taylor Wessing	-	£4,332.00

Legal Fees - Administration

Following correspondence with the former Joint Administrators it has transpired that not all of the legal fees and disbursements previously approved by the creditors in the administration period had been settled.

Accordingly, and based upon the approvals previously obtained by the former Joint Administrators, the following additional costs have been met from the funds held in the Liquidation estate:

Firm	Fees
Taylor Wessing	£104,743.33
DWF LLP	£52,914.28

3. SPL Tribunal

As previously reported, the Company was found to have contravened SPL rules in relation to the issue of dual contracts, and was fined £250k.

The legal advisors acting for the SPL subsequently sought an award of costs, initially against the Joint Liquidators in their personal capacity and Newco (being the purchaser of the business and assets of the Company). However, following a further hearing the Tribunal awarded costs of £150k against the Company, with no award against the Joint Liquidators personally or Newco.

Further to this, the legal advisors to the SPL attempted to seek payment of the fine and costs award as an expense of the Liquidation. This was immediately rejected by the Joint Liquidators, following advice received from their own legal counsel that this had no basis in law.

Following receipt of our correspondence, the SPL have modified their stance and have now submitted a claim in the liquidation as an unsecured creditor. We will adjudicate on this claim as part of the Liquidation process in due course.

4. EBT

As creditors will recall, HMRC has appealed the First Tier Tax tribunal decision in respect of the EBT scheme previously operated by the Company, commonly known as the "Big Tax" case. We are currently reserving the Company's position in respect of the appeal, whilst we review the documentation and evidence previously submitted and determine the most appropriate strategy in conjunction with our legal advisors. We are also closely monitoring the progress of the various directions hearings in respect of the appeal, to ensure that the Company's position is protected.

At this stage, a full hearing date range of 24 February to 14 March 2014 has been set by the Tribunal for the appeal, but there is still significant debate between the parties as to the format and scope of the appeal proceedings which has yet to be resolved.

Given the level of the potential EBT claim, the Company remains as a defendant to the process, but the costs are currently being funded by a third party. The cost to the liquidation estate in adopting this approach is therefore minimal.

We will continue to monitor the appeal process and discuss our strategy with the Committee on an ongoing basis.

5. Prescribed Part

Under the provisions of Section 176A of the Insolvency Act 1986, the Liquidators must state the amount of funds available to unsecured creditors in respect of the prescribed part. This provision only applies where a company has granted a floating charge to a creditor after 15 September 2003. As the Company has not granted a floating charge which post dates 15 September 2003, the prescribed part will not apply in this particular liquidation.

6. Dividend Prospects

The dividend prospects are highly contingent upon the outcome of certain key areas of investigation, including the CB litigation. At this stage, it is not appropriate to estimate the level of dividend that may ultimately be available to unsecured creditors.

7. Liquidators' Remuneration and Outlays

In addition to the fees drawn from the liquidation estate, as noted above, the Committee has also approved the further Joint Liquidators' remuneration:

- For the period 1 April 2013 to 26 July 2013, remuneration of £456,139.30 (excluding VAT) and outlays of £7,168.28 (excluding VAT).

The basis of remuneration in this case is a time cost basis. We enclose a SIP9 summary of our time costs submitted for this period.

The creditors' rights of appeal against the above determination are set out in Rule 4.35 of the Insolvency (Scotland) Rules 1986 and Section 53 of the Bankruptcy (Scotland) Act 1985 (as amended), as applied to Liquidations by Rule 4.68. Any such appeal must be intimated within 14 days of the date of this circular to the Sheriff at the Court of Session. However, your appeal may be rejected if you can not satisfy the sheriff that you will gain financially from the outcome of the appeal.

Should you intend lodging an appeal we would be obliged for notification. On expiry of 14 days from this circular, should there be no appeal we will proceed to draw the approved remuneration and outlays.

8. Annual Meeting

A notice of an annual meeting of creditors is attached for creditors' information.

At the annual meeting, this report will be presented to creditors. The Joint Liquidators will be unable to provide any further information given the highly sensitive nature of their investigations. However, should creditors wish to attend the meeting on 9 December 2013 we should be grateful if they would advise the Joint Liquidators accordingly in advance of the meeting.

9. Conclusions

We have attended to all statutory requirements throughout the course of the liquidation to date.

Due to the significant issues to be resolved in the liquidation, the Joint Liquidators do not expect to be in a position to bring this case to a conclusion for some considerable time. Further reports will be circulated to creditors within six weeks of each six month anniversary of the date of liquidation.

Should you have any queries in respect of this report, please contact our staff on the number above.

Yours faithfully
For and on behalf of
RFC 2012 P.L.C. formerly The Rangers Football Club P.L.C.



James B Stephen
Joint Liquidator



Malcolm Cohen
Joint Liquidator

James Bernard Stephen and Malcolm Cohen are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of England & Wales. Office holder numbers 9273 and 6825

Appendix 1 - Liquidators Receipts & Payments

RFC 2012 P.L.C. formerly The Rangers Football Club P.L.C. (In Liquidation) Joint Liquidators' Abstract of Receipts & Payments

Statement of Affairs		From 01/05/2013 To 30/10/2013	From 31/10/2012 To 30/10/2013
	ASSET REALISATIONS		
	Third Party Funding	135,000.00	135,000.00
1,871,000.00	Administration Surplus	NIL	2,355,961.58
Uncertain	Book Debts	995,076.57	1,391,967.46
Uncertain	Shares & Investments	NIL	NIL
Uncertain	Litigation	NIL	NIL
	Insurance Reclaim	747.38	747.38
Uncertain	Refunds	NIL	NIL
	Bank Interest Gross	3,705.30	7,634.78
		<u>1,134,524.75</u>	<u>3,891,301.70</u>
	COST OF REALISATIONS		
	Specific Bond	NIL	555.00
	Liquidator's Fees	625,054.00	625,054.00
	Liquidators Disbursements	15,075.75	15,075.75
	PR Agency	4,068.06	12,398.53
	The Rangers Football Club Ltd	21,001.19	21,001.19
	Valuers Fees	4,200.00	5,700.00
	Legal Fees - Liquidators	121,187.61	521,091.51
	Legal Disbursements	170,611.66	170,705.17
	Corporation Tax	199.60	199.50
	Pre Liquidation Legal costs-Ticketus	NIL	130,000.00
	Deed of Indemnity	NIL	170,000.00
	Legal Fees - Escrow	11,610.00	11,610.00
	Legal Fees - Administrators	101,512.78	157,657.51
	Stationery & Postage	NIL	3,629.58
	Statutory Meeting Costs	NIL	2,386.56
	Professional Costs	NIL	1,883.00
	Statutory Advertising	NIL	439.58
	Bank Charges	77.00	140.00
		<u>(1,410,657.58)</u>	<u>(1,885,530.61)</u>
	PREFERENTIAL CREDITORS		
(1,000.00)	RPO	NIL	NIL
(7,000.00)	Employees Pref Claims	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS		
(7,033,666.84)	Trade & Expense Creditors	NIL	NIL
(7,736,000.00)	Debtors Holders	NIL	NIL
Uncertain	Unsecured E.P.A.	NIL	NIL
(20,030,000.00)	Directors	NIL	NIL
(27,211,671.63)	Ticketus	NIL	NIL
(3,344,432.04)	Football Creditors	NIL	NIL
(94,426,217.22)	HMRC	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	DISTRIBUTIONS		
(10,879,400.00)	Ordinary Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(168,198,387.73)</u>		<u>(276,133.43)</u>	<u>2,005,770.59</u>

Vat Input	305,144.86
The Royal Bank of Scotland	916,150.42
The Royal Bank of Scotland	47,933.74
The Royal Bank of Scotland	11,973.57
Escrow - Third Party Funds	125,568.00
Santander Time Deposit - 3 Months	600,000.00
Vat Output	(1,000.00)
	<hr/>
	2,005,770.59
	<hr/>



James Bernard Stephen
Joint Liquidator

- The Company is VAT registered. Receipts and payments are shown net of VAT.

Appendix 2 - SIP 9 Summary of Liquidators Time Costs in the period 1 April 2013 to 26 July 2013

RFC 2012 PLC (FORMERLY THE RANGERS FOOTBALL CLUB PLC) - IN LIQUIDATION
Summary of Time Charged and Rates Applicable for the Period 1 April 2013 to 26 July 2013

DESCRIPTION	PARTNER		MANAGER - DIRECTOR		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE		OTHER STAFF		GRAND TOTAL		AVERAGE RATE £
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	
A. Steps On Appointment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Planning & Strategy	8.50	5,333.50	9.00	2,883.00	-	-	11.50	2,817.50	-	-	-	-	29.00	11,034.00	380.48
C. Dealing with Solicitors & Legal Claims	36.00	23,176.00	64.75	29,461.25	-	-	123.75	30,316.75	-	-	-	-	224.50	82,956.00	369.51
D. Forensic IT and Accounting	2.00	1,398.00	184.75	82,513.50	166.50	59,515.00	233.75	78,762.50	-	-	-	-	587.00	222,189.00	378.52
E. General Administration, Investigations & Other Matters	71.00	29,275.00	46.75	16,719.75	-	-	87.75	21,498.75	41.25	5,173.00	14.45	1,319.85	261.20	73,986.35	283.26
F. Assets Realisation/Dealing	27.00	10,243.00	-	-	-	-	2.75	673.75	-	-	-	-	29.75	10,916.75	366.95
G. Employee Matters	-	-	1.00	232.00	-	-	1.28	313.25	-	-	-	-	2.28	565.25	239.14
H. Creditor Claims	8.00	3,009.00	11.50	2,849.50	-	-	7.10	1,730.70	3.25	295.75	39.50	2,165.50	69.35	10,050.45	144.92
I. Reporting	40.00	18,216.00	30.50	12,862.50	-	-	53.00	12,985.00	-	-	7.00	398.00	130.50	44,461.50	340.70
J. Distribution & Closure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	192.50	90,650.50	346.25	147,321.50	166.50	59,515.00	520.88	149,100.20	44.50	5,468.75	60.95	3,883.35	1,333.58	456,139.30	342.04
													Disbursements	7,168.28	
													TOTAL	463,307.58	

BDO LLP REMUNERATION AND DISBURSEMENTS POLICY

In accordance with best practice I provide below details of policies of BDO LLP in respect of fees and expenses for work in relation to the liquidation.

The current charge out rates per hour of staff within my firm who may be involved in working on the liquidation follows. This in no way implies that staff at all such grades will work on the case.

GRADE	London £	Scotland £
Partner	530 - 658	345
Director	366 - 455	296
Senior Manager	252 - 477	273
Manager	290 - 328	214
Assistant Manager (Forensics)	262 - 340	170
Senior Executive	197 - 272	145
Executive	151 - 197	128
Other Staff	90	58 - 159

The rates charged by BDO LLP are reviewed each year and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories:

- Pre Appointment
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the 6 categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners.

Where an officeholder's remuneration is approved on a time cost basis, the time invoiced to the case will be subject to VAT at the prevailing rate.

Where remuneration has been approved on a time costs basis, a periodic report will be provided to any committee appointed by the creditors, or in the absence of a committee, to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into 2 categories.

Category 1 Disbursements

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, travel (by public transport), couriers, searches at company house, land registry searches, fees in respect of swearing legal documents, external printing costs etc. In each case the recharge will be reimbursement of a specific expense incurred.

Where applicable, disbursements will be subject to VAT at the prevailing rate.

Category 2 Disbursements

Additionally some firms recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP, effective from 1 July 2003, is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged.

Appendix 3 - Notice of Annual Meeting:

RFC 2012 P.L.C. FORMERLY THE RANGERS FOOTBALL CLUB P.L.C.(IN LIQUIDATION)
Company Number: SC004276

NOTICE IS HEREBY GIVEN pursuant to Rule 4.13 of the Insolvency (Scotland) Rules 1986, that the Annual Meeting of Creditors of the above named company will be held on 9 December 2013 at 11am within Marriot Hotel, 500 Argyle Street, Glasgow, G3 8RR, for the purposes of receiving the Liquidators' account of the winding-up.



James Bernard Stephen
Joint Liquidator

Date: 15 November 2013

BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

PROXY

Pursuant to Rules 7.14 and 7.15 of the Insolvency (Scotland) Rules 1986

RFC 2012 P.L.C.formerly The Rangers Football Club P.L.C.(In Liquidation)

Name of Creditor/Member _____

Address _____

(hereinafter called 'the principal')

Insert the name and address of the proxy holder and of any alternatives. A proxy holder must be an individual aged over 18.

Name of Proxy-Holder 1. _____

Address _____

Whom failing 2. _____

Whom failing 3. _____

I appoint the above person to be the principal's proxy-holder at:-

Delete as appropriate

*all meetings in the above insolvency proceedings relating to the above company

*the meeting of creditors/members of the above Company to be held on 9 December 2013

or at any adjournment of that meeting.

Voting Instructions

The proxy-holder is authorised to vote or abstain from voting in the name, and on behalf, of the principal in respect of any matter(s), including resolution(s), arising for determination at said meeting(s) and any adjournment(s) thereof and to propose any resolution(s) in the name of the principal, either

- (i) in accordance with instructions given below, or
- (ii) if no instructions are given, in accordance with his/her own discretion.

Complete only if you wish to instruct the proxy-holder to vote for a specific person as liquidator

1. To *propose/support a resolution for the appointment of

whom failing _____

_____ as liquidator of the company.

Delete if the proxy-holder is only to vote as directed in (1)

(In the event of a person named in paragraph (1) withdrawing or being eliminated from any vote, the proxy-holder may vote or abstain in any further ballot at his/her discretion)

Set forth any voting instructions for the proxy-holder. If more room is required, attach a separate sheet

Signed _____

Date _____

Name in BLOCK LETTERS _____

Position of signatory in relation to the creditor/member or other authority for signing

Notes for the Principal and Proxy-holder

1. The chairman of the meeting who may be nominated as proxy-holder, will be the insolvency practitioner who is presently *liquidator/receiver/administrator/nominee under the voluntary arrangement or a director of the company.
2. All proxies must be in this form or a form substantially to the same effect with such variations as circumstances may require (Rules 7.15(3) and 7.30).
3. To be valid the proxy must be lodged at or before the meeting at which it is to be used (Rule 7.16(2)).
4. Where the chairman is nominated as proxy-holder he cannot decline the nomination (Rule 7.14(4)).
5. The proxy-holder may vote for or against a resolution for the appointment of a named person to be liquidator jointly with another person, unless the proxy states otherwise (Rule 7.16(4)).
6. The proxy-holder may propose any resolution in favour of which he would vote by virtue of this proxy (Rule 7.16(5)).
7. The proxy-holder may vote at his discretion on any resolutions not dealt with in the proxy, unless the proxy states otherwise (Rule 7.16(6)).
8. The proxy-holder may not vote in favour of any resolution which places him, or any associates of his in a position to receive remuneration out of the insolvent estate unless the proxy specifically directs him so to vote (Rule 7.19(1)).
9. Unless the proxy contains a statement to the contrary, the proxy-holder has a mandate to act as representative of the principal on the creditors' or liquidation committee (Rule 4.48)

A CREDITORS' GUIDE TO LIQUIDATORS' REMUNERATION - SCOTLAND

1 Introduction

1.1 When a company goes into liquidation the costs of the proceedings are paid out of its assets in priority to creditors' claims. The creditors, who hope to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as liquidator. The insolvency legislation recognises this interest by providing mechanisms for creditors to fix the basis of the liquidator's remuneration. This guide is intended to help creditors be aware of their rights to approve and monitor remuneration and disbursements, and explains the basis on which remuneration and disbursements are fixed.

2 Liquidation Procedure

2.1 Liquidation (or "winding up") is the most common type of corporate insolvency procedure. Liquidation is the formal winding up of a company's affairs entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority. Liquidation may be either voluntary, when it is instituted by resolution of the shareholders, or court, when it is instituted by order of the court.

2.2 Voluntary and court liquidation are equally common. An insolvent voluntary liquidation is called a creditors' voluntary liquidation (often abbreviated to "CVL"). In this type of liquidation an insolvency practitioner acts as liquidator throughout and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.

2.3 In a court liquidation an insolvency practitioner may be appointed to act as provisional liquidator until the making of the winding up order. In all court liquidations, an insolvency practitioner is appointed to act as interim liquidator from the making of the winding up order until the first meeting in the liquidation, and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.

2.4 Where a court liquidation follows immediately on an administration the court may appoint the former administrator to act as liquidator.

3 The Liquidation Committee

3.1 In a liquidation (whether voluntary or court) the creditors have the right to appoint a committee called the liquidation committee, with a minimum of 3 and a maximum of 5 members, to monitor the conduct of the liquidation and approve the liquidator's remuneration and disbursements. The committee is usually established at the creditors' meeting which appoints the liquidator, but in cases where a liquidation follows immediately on from an administration any committee established for the purposes of the administration will continue in being as the liquidation committee.

3.2 The liquidator must call the first meeting of the committee within 3 months of its establishment (or his appointment if that is later), and subsequent meetings must be held either at specified dates agreed by the committee, or when requested by a member of the committee, or when the liquidator decides he needs to hold one. The liquidator is required to report to the committee at least every 6 months on the progress of the liquidation. This provides the opportunity for the committee to monitor and discuss the progress of the insolvency and the level of the liquidator's remuneration.

4 Fixing the Liquidator's Fees

4.1 The basis for fixing the liquidator's (which includes an interim liquidator's) remuneration is set out in Rule 4.32 of the Insolvency (Scotland) Rules 1986, and in Section 53 of the Bankruptcy (Scotland) Act 1985 which is applied to liquidations by Rule 4.68. These Rules state that the remuneration may be a commission calculated by reference to the value of the assets which are realised but there shall in any event be taken into account the work which, having regard to that value, was reasonably undertaken, and the extent of the responsibilities in administering the estate.

4.2 It is for the liquidation committee (if there is one) to fix the remuneration and approve disbursements. If there is no liquidation committee, or the committee does not make the requisite determination, the liquidator's remuneration is fixed by the court.

4.3 Rule 4.5 lays down that the remuneration of a provisional liquidator can only be fixed by the court.

5 What Information should be Provided by the Liquidator?

5.1 When seeking agreement to his remuneration and disbursements, the liquidator should provide sufficient supporting information to enable the committee or the court to form a judgement as to whether the proposed remuneration and disbursements are reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- The nature of the approval being sought;
- The stage during the administration of the case at which it is being sought; and
- The size and complexity of the case.

Where, at any creditors' meeting, the liquidator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

Where the liquidator seeks agreement to his remuneration during the course of the liquidation, he should always provide an up to date receipts and payments account. Where the proposed remuneration is based on time costs the liquidator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the liquidator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the liquidator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the liquidator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject.

The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the liquidator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the liquidator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, or the drawing or agreement of remuneration.
- Any existing agreement about remuneration.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

5.2 The liquidator should always make available an up to date receipts and payments account. Where the remuneration is to be charged on a time basis the liquidator should be prepared to disclose the amount of time spent on the case and the charge-out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the remuneration is charged on a percentage basis, the liquidator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by a liquidator or his staff.

5.3 A liquidator's disbursements are subject to approval by virtue of Rule 4.32. Where a liquidator makes, or proposes to make, a separate charge by way of disbursements to recover the cost of facilities provided by his own firm (such as room hire, document storage or communication facilities), (category 2 disbursements) he should disclose those charges to the committee or the creditors when seeking approval of his remuneration and disbursements together with an explanation of how those charges are made up. Disbursements must either be directly incurred on the case or be subject to a reasonable method of calculation and allocation and the basis on which they are allocated must be disclosed. Such disbursements must be directly incurred on the case and subject to a reasonable method of calculation and allocation. A charge for disbursements calculated as a percentage of the amount charged for remuneration is not allowed.

5.4 Payments to outside parties in which the office holder or his firm or any associate has an interest should be disclosed to the body approving remuneration and should be treated in the same way as payments to himself. They therefore require specific approval as remuneration prior to being paid.

5.5 In Rule 4.12 of the Insolvency (Scotland) Rules 1986, a resolution may be passed fixing the basis of remuneration at the first meeting of creditors in a court liquidation. The liquidator should immediately notify the creditors of the details of the resolution, and when subsequently reporting to creditors on the progress of the liquidation, or submitting his final report, he should specify the amount of remuneration he has drawn in accordance with the resolution. Where the remuneration is based on time costs he also should provide details of the time spent and charge-out value to date and any material changes in the rates charged since the resolution was first passed. Where the remuneration is charged on a percentage basis the liquidator should provide the details set out in paragraph 5.1 above regarding work which has been sub-contracted out.

5.6 Paragraph 5.3 above does not however apply to a voluntary liquidation.

6 What if a Creditor is Dissatisfied?

6.1 If a creditor believes that the liquidator's remuneration is too high he may, under Rule 4.35, apply to the court for an order that it be reduced. If the court considers the application to be well-founded, it shall make an order fixing the remuneration at a reduced amount or rate. Unless the court orders

otherwise, the expenses of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.

- 6.2 As noted in paragraph 4.3 above, the remuneration of a provisional liquidator is fixed by the Court and there is no specific provision in the Insolvency Legislation to give creditors the right of appeal against the Court's determination. Consequently if a creditor is dissatisfied, any appeal must be made to the appropriate Court in accordance with normal Court rules.

7 What if the Liquidator is Dissatisfied?

- 7.1 If the liquidator considers that the remuneration fixed by the committee is insufficient he may request that it be increased by resolution of the creditors. He may also request the court for an order increasing its amount or rate, before or after recourse to the creditors. If he decides to apply to the court he must give at least 14 days' notice to the members of the committee and the committee may nominate one or more of its members to appear or be represented at the court hearing. If there is no committee, the liquidator's notice of his application must be sent to such of the creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may, if it appears to be a proper case, order the costs to be paid out of the assets of the company.

8 Other Matters Relating to Remuneration

- 8.1 Where the liquidator realises assets on behalf of a secured creditor, he will usually agree the basis of his remuneration for dealing with charged assets with the secured creditor concerned.
- 8.2 Where two (or more) joint liquidators are appointed it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute between them may be referred to the court, the committee or a meeting of creditors.
- 8.3 There may also be occasions when creditors will agree to make funds available themselves to pay for the liquidator to carry out tasks which cannot be paid for out of the assets, either because they are deficient or because it is uncertain whether the work undertaken will result in any benefit to creditors. Arrangements of this kind are sometimes made to fund litigation or investigations into the affairs of the insolvent company. Any arrangements of this nature will be a matter for agreement between the liquidator and the creditors concerned and will not be subject to the statutory rules relating to remuneration.