

Private & Confidential

7 December 2022

Our Ref 00181979-2400(25)

Please ask for: Connie Ng
Direct Dial: 0141 249 8411

Email: connie.ng@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
In the Court of Session, reference P1134/12**

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 10 December 2021 and our subsequent letter to creditors dated 26 April 2022.

This report addresses the following aspects of the liquidation process:

- In accordance with Rules 7.4 and 7.8 of The Insolvency (Scotland) (Receivership and Winding up) Rules 2018 (“the Rules”), an update to creditors regarding progress in the liquidation to date;
- An update regarding the costs settlement on the action against the former Joint Administrators;
- An update regarding the agreement of HMRC’s claim in the liquidation and;
- Notification of the Joint Liquidators’ remuneration and outlays as approved by the Liquidation Committee (“the Committee”).

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, twenty-six formal Committee meetings have been held, along with other ad hoc discussions in relation to specific matters as they have arisen, 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 in this matter.

2. Receipts and Payments

We attach a summary of our receipts and payments for the twelve month period to 30 October 2022, together with a cumulative summary for the duration of the liquidation. 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:

Joint Liquidators’ Remuneration and Outlays - Approved & Drawn (figures shown net of VAT)

As identified in our last report dated 10 December 2021, fees to 25 June 2021 had been approved by the Committee.

The Joint Liquidators sought approval of the following fees from the Committee:

As notified to creditors in our letter of 26 April 2022, fees of £244,869.73 for the period from 26 June 2021 to 4 March 2022 were approved by the Committee. Following the expiry of the 14 day appeal period, fees of £244,869.73 have been drawn in the period.

To date the remuneration drawn in the liquidation to the end of the period totals £6,374,954.22, together with outlays of £70,392.57. This excludes the Joint Liquidators’ pre-appointment remuneration and outlays totalling £191,364.84.

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	1,615,322.72	685,323.38
Stephenson Harwood	7,714,271.12	699,519.33
Clyde & Co	49,500.00	-
Taylor Wessing	-	11,722.00
Michelmores LLP	10,000.00	-
Bramley Corporation Limited	11,700.00	296.45
Addleshaw Goddard LLP	-	2,400.00
William Wood QC	11,400.00	-
Shepherd & Wedderburn LLP	2,172,403.09	1,145,427.70
Levy & McRae	84,051.34	17,044.04
One Essex Court	-	47,250.00

As previously advised, of the legal fees paid to Stephenson Harwood (“SH”), c£5.4 million relates to the Collyer Bristow litigation.

3. The Former Joint Administrators

As detailed in our previous report, the matter was heard in the Court of Session at a proof which commenced on 4 May 2021, lasting 6 weeks. The decision was handed down by Lord Tyre on 6 October 2021, who found against the former Joint Administrators.

Following the judgment, due to objections by the respondents in respect of our submissions regarding the costs, a formal cost hearing was required, which took place on 16 November 2021 and as a consequence, resulted in a very successful outcome for the Joint Liquidators. The key decisions from the hearing were as follows:

- Interest was backdated at 4% from the date that the Joint Administrators sold the assets (June 2012), rather than from the date the action was raised (February 2017). The principal sum plus interest, together totalling c£4.7m, was received on 24 November 2021.
- The Joint Administrators’ application to seek costs in respect of the brand was refused. The Judge took the firm view that they had lost and as the losing party, they were liable for the costs. A split of the costs across the various heads of claim was not appropriate.

- The Joint Administrators' application to have certain costs in relation to one of the experts was also refused, which was substantial at c£207k.
- The Joint Liquidators' application for uplifted legal fees was successful on three out of the five categories that were sought. Crucially, the three where there was success covered the complexity, required skill of the legal team and volume of documents required. This allowed us to seek a percentage uplift on the recovery of legal fees.

Following numerous discussions between the legal representatives on both sides and with the input of the law accountant, an agreement was reached for a settlement in respect of costs of £2.82m, in addition to the underlying judgment award of £4.7m, which represents a cost recovery of 72.3%. The settlement avoids the costs and process of taxation by the auditor of the court, which we are informed could have taken up to 12 months.

The settlement of costs was received on 21 October 2022 and this matter is now concluded.

4. EBT/HMRC

As at the date of our last update on 10 December 2021, HMRC's claim as it then stood was as follows:

	£'000
EBT claim - held	48,881
Small tax claim - admitted	3,079
Small tax claim - held	1,000
Craig Whyte era - admitted	10,273
Inheritance Tax claim - held	1,281
	<u>64,514</u>

We are pleased to advise that since the last report, we continued extensive and collaborative discussions with HMRC to reach a negotiated resolution in relation to the remaining elements of the claim.

After significant input from BDO's Tax Dispute Resolution team, together with our legal advisors, we were able to reach a composite settlement of £56m for the whole of the HMRC claim.

Formal settlement documentation will ensure that HMRC will not raise any further claims in the liquidation.

The agreed settlement with HMRC reflects the outcome of the Supreme Court decision in 2017.

This composite settlement represents an agreed reduction to HMRC's initial submitted claim in the liquidation. As a result, all other unsecured creditors should receive dividends totalling approximately 5.3p in the £ more than they would have otherwise received. It also negates the need for further protracted litigation which could have been costly to the liquidation estate.

The Joint Liquidators have been in consultation with the Committee and it was agreed that the composite settlement of £56m was a positive outcome for the creditors.

5. Dividend Prospects

To date we have paid a total dividend of 6.91p in the £ to all admitted creditors on approval of Schemes of Division by the Committee.

The first distribution of 3.91p in the £ was made in November 2017 and we have recorded £31,482.59 of payments not banked from this distribution.

The second distribution of 3p in the £ was made in March 2020 and we have recorded £47,923.16 of payments not banked from this latest distribution.

We had previously advised that future dividends would be dependent on the finalisation of (a) HMRC's claim and (b) the expenses in the claim against the former Joint Administrators.

As stated above, both of these matters have now been concluded. Based on current information, the settlement with HMRC should result in a further dividend of c7.4p in the £ bringing the total return to the unsecured creditors to c14.3p in the £.

Any dividends unclaimed at the end of the Liquidation will be consigned to the Accountant of Court.

6. Joint Liquidators' Remuneration and Outlays

Further fee approvals since the last report are detailed in section 2. All fees are approved by the Creditors' Committee in this liquidation.

The basis of remuneration in this case is a time cost basis. We enclose at Appendix 2 a SIP9 summary of our time costs since the last approval, covering the period from 5 March 2022 to the end of the period for which the Committee's approval has been obtained, 11 November 2022. Also enclosed is a summary of all time costs incurred in the liquidation from the date of appointment to the end of the period covered by this report, 30 October 2022.

As set out above, we have issued the Committee with a further fee resolution in respect of the period since approval was last sought. We can confirm that the Committee has approved further remuneration of the Joint Liquidators as follows:

- For the period from 5 March 2022 to 11 November 2022, remuneration of £325,293.90 (excluding VAT) and outlays of £311.50 (excluding VAT).

The basis of our remuneration in this case is a time cost basis. We enclose a Notice at Appendix 3 to enable creditors to appeal against the determination under Rule 7.12 of the Rules.

7. Conclusions

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

The Joint Liquidators expect to pay the final dividend in the next 6 months and subsequently be in a position to close the case on consignment of any unclaimed dividends. Therefore, it is likely that the next report to the creditors in this matter will be the final report.

8. Insolvency Ethics & Complaints

As Insolvency Practitioners, we are bound by the Insolvency Code of Ethics, of which the fundamental principles are:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

A full copy of the code is available at: <http://www.insolvency-practitioners.org.uk/regulation-and-guidance/ethics-code>.

The Insolvency Service has established a central gateway for considering complaints in respect of insolvency practitioners. In the event that you make a complaint to us and are unsatisfied with our response, you should visit <https://www.gov.uk/complain-about-insolvency-practitioner> where you find further information on how you may pursue your complaint.

Should you have any queries in respect of this report please contact Connie Ng on 0141 249 8411.

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 in the UK by the Institute of Chartered Accountants in England & Wales. Office holder numbers 9273 and 6825 respectively.

The Joint Liquidators are Data Controllers as defined by the General Data Protection Regulations. Personal data will be kept secure and processed only for matters relating to the liquidation. Please see the privacy statement at <https://www.bdo.co.uk/en-gb/legal-privacy/privacy-notice>

This report has been prepared by the Joint Liquidators solely to comply with their statutory duty under the Insolvency Act and Rules to provide members and creditors with an update of the liquidation. This report is not suitable to be relied upon by any other person, or for any other purpose or in any other context including any decision in relation to any debt or financial interest in the Company. Any person that chooses to rely on this report for any other purpose or in any other context other than under the Insolvency Act and Rules does so at their own risk. Any estimated outcome for creditors included in this report is illustrative and cannot be relied upon as guidance as to the actual outcome for individual creditors.

Appendix 1 - Joint Liquidators' Receipts & Payments

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

 Summary of the Joint Liquidators' Receipts and Payments for the period from 31 October 2012 to
 30 October 2022

Statement of Affairs £	From 31/10/2021 To 30/10/2022 £	From 31/10/2012 To 30/10/2022 £
ASSET REALISATIONS		
	NIL	70,000.00
1,871,000.00	NIL	2,355,961.58
Uncertain	NIL	2,521,150.32
Uncertain	NIL	NIL
Uncertain	NIL	24,000,000.00
	NIL	90,742.38
	NIL	550,000.00
	7,511,928.33	7,511,928.33
Uncertain	NIL	NIL
	4,259.06	282,520.90
	19.42	6,748.95
	NIL	3,713.27
	7,516,206.81	37,392,765.73
COST OF REALISATIONS		
	NIL	555.00
	NIL	86,469.06
	261,843.03	6,391,927.52
	NIL	70,392.57
	NIL	191,364.84
	NIL	36,204.11
	NIL	9,577.00
	NIL	190,432.53
	1,568,000.00	2,926,640.00
	665,723.63	6,287,398.27
	43,234.75	2,252,826.71
	NIL	1,809.80
	NIL	130,000.00
	NIL	170,000.00
	NIL	47,885.00
	NIL	257,799.88
	NIL	3,174.20
	NIL	3,629.68
	NIL	3,986.66
	184.00	2,117.24
	NIL	287,327.78
	NIL	439.68
	NIL	5,381,250.00
	NIL	356,156.19
	NIL	25,000.00
	NIL	240,000.00
	11.00	892.77
	NIL	1,123.54
	(2,538,996.41)	(25,356,380.03)

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

 Summary of the Joint Liquidators' Receipts and Payments for the period from 31 October 2012 to
 30 October 2022

Statement of Affairs £	From 31/10/2021 To 30/10/2022 £	From 31/10/2012 To 30/10/2022 £
PREFERENTIAL CREDITORS		
	NIL	2,121.42
(1,000.00) Preferential N.I.C. & Tax	NIL	742.32
(7,000.00) RPO	NIL	6,401.73
(7,000.00) Employees' Preferential Claims	NIL	(9,265.47)
	NIL	(9,265.47)
UNSECURED CREDITORS		
(7,033,666.84) Trade & Expense Creditors	NIL	379,351.10
(7,736,000.00) Debenture Holders	NIL	108,134.46
Uncertain Unsecured E.P.A.	NIL	1,592.91
(20,030,000.00) Directors	NIL	NIL
(27,211,671.63) Ticketus	NIL	760,100.00
(3,344,432.04) Football Creditors	NIL	26,341.63
(94,426,217.22) HMRC	NIL	4,452,607.74
NIL Wavetower/The Rangers FC Group Ltd	NIL	962,500.00
	-	(6,690,627.84)
	-	(6,690,627.84)
DISTRIBUTIONS		
(10,879,400.00) Ordinary Shareholders	NIL	NIL
	NIL	NIL
(168,798,387.73)	4,977,210.40	5,336,492.39
REPRESENTED BY		
		9,777.37
VAT Input		NIL
VAT Output		NIL
VAT Control Account		NIL
The Royal Bank of Scotland		9,105,891.12
Bank of Scotland - 32 Day Notice		NIL
Santander Client Account		NIL
Funds to be consigned		(79,405.75)
Funds set aside in respect of held claims		(3,668,424.01)
Trade creditors		(31,346.34)
		(5,336,492.39)
		5,336,492.39

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

Appendix 2 - SIP 9 Summary

RFC 2012 PLC (FORMERLY THE RANGERS FOOTBALL CLUB PLC) - IN LIQUIDATION

Summary of Time Charged and Rates Applicable for the Period 31 October 2012 (date of appointment) to 30 October 2022

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 £	£
Steps On Appointment	90.70	33,388.60	15.00	6,216.00	-	-	30.00	6,798.00	-	-	-	-	135.70	46,402.60	341.95
Planning & Strategy	123.25	72,146.75	83.10	29,099.10	45.00	8,590.90	35.00	7,887.00	-	-	-	-	286.35	117,723.75	411.12
Dealing with Solicitors & Legal Claims	3,486.43	1,955,301.71	1,266.27	555,136.20	202.10	52,791.70	307.90	76,445.30	10.24	2,139.65	0.15	16.50	5,273.09	2,641,831.05	501.00
Forensic IT and Accounting	168.36	110,350.78	935.22	439,492.42	612.54	235,741.41	585.70	199,587.25	102.65	16,278.94	-	-	2,404.47	1,001,450.80	416.49
Tax	216.30	151,645.87	395.31	251,439.67	273.31	104,963.49	104.03	33,497.63	118.33	20,415.94	2.94	226.26	1,110.21	562,188.86	506.38
General Administration & Other Matters	782.70	380,263.03	465.33	167,393.80	213.30	51,576.10	571.90	112,408.40	179.60	25,098.40	376.25	34,860.55	2,589.08	771,600.28	298.02
Investigations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!
Assets Realisation/Dealing	363.60	157,253.75	112.20	36,497.00	7.50	1,531.00	99.25	24,316.25	8.00	1,179.50	19.55	1,809.80	610.10	222,587.30	364.84
Employee Matters	11.00	4,628.00	20.80	4,780.20	38.50	6,905.00	3.53	864.50	7.55	1,180.10	0.20	20.80	81.58	18,378.60	225.28
Creditor Claims	530.60	246,060.65	370.40	98,296.50	656.50	125,021.80	103.40	19,632.20	45.95	6,077.55	73.85	4,212.15	1,780.70	499,300.85	280.40
Reporting	678.30	373,740.75	633.10	252,869.20	245.85	56,296.75	175.50	41,836.50	30.25	3,935.50	19.35	1,673.10	1,782.35	730,351.80	409.77
Distribution & Closure	13.00	6,822.00	194.60	45,478.00	79.95	15,764.25	-	-	15.75	1,734.25	28.50	2,367.35	331.80	72,165.85	217.50
	6,464.24	3,491,601.89	4,491.33	1,886,698.09	2,374.55	659,182.40	2,016.21	523,273.03	518.32	78,039.83	520.79	45,186.51	16,385.44	6,683,981.74	407.92
													Disbursements		71,381.68
													TOTAL		6,755,363.42

Summary of Time Charged and Rates Applicable for the Period 5 March 2022 to 11 November 2022

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 £	£
Planning & Strategy	-	-	4.75	2,279.50	-	-	-	-	-	-	-	-	4.75	2,279.50	479.89
Dealing with Solicitors & Legal Claims	206.84	128,412.05	192.23	142,693.94	-	-	16.58	5,092.47	7.74	1,772.15	-	-	423.40	277,970.60	656.53
Tax	-	-	4.75	1,275.00	-	-	-	-	-	-	-	-	4.75	1,275.00	268.42
General Administration & Other Matters	0.45	294.75	12.45	4,216.30	-	-	15.50	3,179.50	-	-	22.95	2,500.70	51.35	10,191.25	198.47
Employee Matters	-	-	0.75	301.50	-	-	-	-	-	-	-	-	0.75	301.50	402.00
Creditor Claims	-	-	9.35	2,708.40	-	-	-	-	-	-	-	-	9.35	2,708.40	289.67
Reporting	22.25	13,661.80	36.30	16,001.35	-	-	-	-	-	-	-	-	58.55	29,663.15	506.63
Distribution & Closure	-	-	2.25	904.50	-	-	-	-	-	-	-	-	2.25	904.50	402.00
	229.54	142,368.60	262.83	170,380.49	-	-	32.08	8,271.97	7.74	1,772.15	22.95	2,500.70	555.15	325,293.90	585.96
													Disbursements		311.53
													TOTAL		325,605.43

A creditor's guide to office holder remuneration can be accessed via:

<https://www.icas.com/technical-resources-/creditor-guides-to-office-holder-remuneration>

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.

Charge Out Rates

STAFF GRADE	From 5 July 2022		From 1 January 2022		From 3 July 2021	
	<u>Glasgow</u>	<u>London</u>	<u>Glasgow</u>	<u>London</u>	<u>Glasgow</u>	<u>London</u>
	£	£	£	£	£	£
Partner	575	920	523	836	508	812
Principal	575	920	523	836	508	812
Director / Senior Manager	402 - 483	643 - 772	366 - 439	585 - 702	355 - 426	568 - 681
Manager	294	470	267	427	259	414
Assistant Manager	221	353	201	321	195	311
Senior Administrator	205	329	186	299	181	290
Administrator	177	281	161	256	156	151
Support staff/Secretary	86	108	78	98	95	76

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.

Category 2 Disbursements

We propose to recover from the liquidation the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 45p per mile is raised which is in line with the Inland Revenue Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff. Where costs are incurred in respect of mileage, approval will be sought in accordance with the Rules to recover this disbursement.

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

Appendix 3 - Rule 7.12 Notice

Notice to all known creditors pursuant to Rule 7.12 of The Insolvency (Scotland) Receivership and Winding up) Rules 2018 (“the Rules”)

As creditors are aware, all fees in this liquidation require the approval of the Creditors’ Committee (“the Committee”). The Committee had previously approved the Joint Liquidators’ remuneration and outlays up to 4 March 2022, details of which were circulated in our letter dated 26 April 2022, where upon expiry of the 14 days within which an appeal could be made, fees to 4 March 2022 were drawn.

Since the date of our last letter dated 26 April 2022, we have issued the Committee with a further fee resolution in respect of the period since approval was last sought. We can now confirm that the Committee has approved further remuneration of the Joint Liquidators as follows:

- For the period from 5 March 2022 to 11 November 2022, remuneration of £325,293.90 (excluding VAT) and outlays of £311.50 (excluding VAT).

The basis of our remuneration in this case is a time cost basis. We enclose a SIP9 summary of our time costs since the last approval for the period from 5 March 2022 to 11 November 2022.

Creditors’ rights of appeal against the above determination are set out in Rule 7.12 of the Rules and 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 cannot satisfy the Sheriff that you will gain financially from the outcome of the appeal.

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



James B Stephen
Joint Liquidator



Malcolm Cohen
Joint Liquidator

Dated: 7 December 2022