

Private & Confidential

7 December 2018

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**

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 9 June 2018.

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;
- An update regarding the payment of a further interim dividend to creditors;
- Notification of the Joint Liquidators’ remuneration and outlays as approved by the Liquidation Committee (“the Committee”); and
- In accordance with Rule 4.13(1) of the Insolvency (Scotland) Rules 1986, notice of an annual meeting of creditors to be held on 8 January 2019, which is attached at Appendix 3. Attendance at the meeting is not compulsory and we enclose a form of proxy for your use.

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 events leading up to the administration and the conduct of the former Joint Administrators (although you will note that this report does contain certain updates in this regard).

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, eighteen 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 2018, 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

As identified in our last report dated 8 June 2018, the Committee had previously approved the Joint Liquidators' remuneration and outlays for the period 16 September 2017 to 9 February 2018, in the sums of £262,609.05 (excluding VAT) and £746.43 (excluding VAT) respectively. The 14 day appeal period has since expired and, of these, fees of £122,236.25 and outlays of £59.25 have been drawn, with the balance to be drawn in due course.

The remuneration drawn in the liquidation to date totals £4,414,671.13, together with outlays of £58,679.66 (all net of VAT). This excludes the Joint Liquidators' pre-appointment remuneration and outlays totalling £191,364.84.

Fees of £156,663.40 and outlays of £2,309.77 were drawn in the period in respect of remuneration accruing in the period from 1 April 2017 to 15 September 2017 which, as reported in our last report, had previously been approved.

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 LLP	1,337,406.33	587,547.91
Stephenson Harwood LLP	7,596,015.12	683,858.56
Clyde & Co LLP	49,500.00	-
Taylor Wessing LLP	-	11,722.00
Michelmores LLP	10,000.00	-
Bramley Corporation Limited	11,700.00	296.45
William Wood QC	11,400.00	-
Shepherd & Wedderburn LLP	232,689.52	38,440.80
Levy & McRae Solicitors LLP	84,051.34	14,919.04

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 reports, the Joint Liquidators had sought detailed explanations regarding certain aspects of the strategy implemented by the Joint Administrators during the Administration. A substantive response to these requests had not been received. After consulting with the Committee it was agreed that the Joint Liquidators should commence legal action against the former Joint Administrators. A claim of £28m was issued on 9 February 2017.

The litigation is ongoing and the Joint Liquidators are not in a position to comment further at this stage.

4. EBT

As previously reported to creditors, HM Revenue & Customs' ("HMRC's") initial claim in the liquidation was c£94m, of which c£74m related to the EBT scheme and is commonly known as the "Big Tax Case". The outcome of the Big Tax Case therefore had a material impact on the dividend payable to unsecured creditors.

Creditors will be aware that the First Tier Tribunal ("FTT") found in the Company's favour, which HMRC subsequently appealed. This was heard by the Upper Tier Tribunal ("UTT") in February 2014, which again found in the Company's favour save for a small number of discrete issues. These issues were referred back to the FTT for consideration on the basis that the UTT did not consider that the original FTT decision had properly addressed those matters.

HMRC were given leave to appeal to the Inner House of the Court of Session in Scotland in respect of the UTT decision and this matter was heard over a four day period commencing on 7 July 2015. On 4 November 2015, the Inner House decision was published and found in favour of HMRC.

Following consultation with their legal advisors and the Committee, the Joint Liquidators on behalf of the Company sought leave to appeal the Court of Session's decision. The application was lodged on 27 November 2015 and leave to appeal was granted at a hearing on 8 March 2016. The Notice of Appeal to the Supreme Court was filed in April 2016.

The appeal was heard at the Supreme Court on 15 and 16 March 2017. Following two days of argument, on 5 July 2017 the Supreme Court ruled in favour of HMRC and the Company's appeal was dismissed.

A significant proportion of the Big Tax Claim of c£74m related to interest and penalties (c£36m). The penalty element of the claim was c£23.9m and was levied at a particularly high rate. The Joint Liquidators, on behalf of the Company, disputed both the quantum, and the principle, of the penalties applied by HMRC.

Following discussions and meetings with HMRC, we submitted an appeal to the HMRC Penalty Review Consistency Panel ("the Panel"). This set out the reasons why the Joint Liquidators considered the penalties to be incorrectly levied. We are pleased to advise that the Panel has recently agreed with our submission in its entirety, and the element of HMRC's claim pertaining to penalties has now been withdrawn in full.

HMRC also acknowledged that a further small element of their claim had been overstated and it has now submitted a revised claim of £68.3m (ie a reduction of c£26m in total).

HMRC has calculated the principal element of its claim in respect of the Big Tax Case on a "grossing up" basis. This element remains under review with further representations to be made to HMRC following discussions with the Joint Liquidators' tax advisors.

We discuss the impact of the reduction in HMRC's claim as regards future dividend prospects below.

5. Wavetower / The Rangers FC Group Limited

Creditors were advised in June 2016 that the Joint Liquidators were in a position to pay a first dividend to creditors and the Committee had previously approved the Joint Liquidators' proposed Scheme of Division.

As previously reported this was delayed by the submission of a claim by The Rangers FC Group Limited (previously known as Wavetower Limited ("Wavetower")), a company which is 100% owned by Worthington Group, and of which Craig Whyte was formerly a director. Henderson & Jones

Limited (“HJL”), a specialist purchaser of claims and litigation from insolvent companies, has been appointed as a director of Wavetower and continues to pursue the claim.

The previous reports dated 5 December 2017 and 8 June 2018 set out the circumstances under which various claims have been submitted by Wavetower, and how on each occasion these have been rejected by the Joint Liquidators. This matter remained a focus of the Joint Liquidators’ attention during the course of the period, and it has continued to progress in accordance with the Court procedure.

Shortly prior to the period covered by this report, and after a series of protracted correspondence and meetings, HJL had intimated that Wavetower would seek to increase its claim to £18m and consider appointing receivers over the Company. The Joint Liquidators took steps to avoid such an eventuality and obtained an interim interdict in favour of the Company which precluded Wavetower from making a receivership appointment.

The Court procedure in respect of Wavetower’s appeal of the Joint Liquidators’ rejection of its claim continues. In parallel with this, certain discussions have taken place between the parties during the period, to establish whether it would be possible to reach a consensual resolution of the dispute without further recourse to the Court. These discussions are ongoing, and the Joint Liquidators are liaising closely with the Committee regarding the matters being discussed.

6. Dividend Prospects

Creditors will recall that, in accordance with a Scheme of Division circulated to members of the Committee on 10 August 2017, a first interim dividend to the unsecured creditors of 3.91p in the £ was proposed. The proposed dividend provided for: (a) the Wavetower claim (as it then stood); (b) HMRC, for the maximum amount of its claim; and (c) all bondholders while the adjudication of these respective claims and/or any appeals against their rejection were finalised. The requisite majority of Committee members agreed the Scheme of Division and notices of adjudication were sent to creditors on 29 September 2017.

No appeals were received and a first interim dividend of 3.91p in the £ was declared on 8 November 2017. To date, the amount distributed is £1,364,601.65.

The reduction in the HMRC claim of c£24m at a dividend rate of 3.91p will result in a release of approximately £1m to the estate and will be available for dividend purposes.

Creditors with valid claims that were received after the date of adjudication have been paid an equalising dividend. Any creditor who is yet to make a claim in this matter should do so on the attached claim form in order to be included in any future distributions.

All creditors should note that the quantum and timing of future dividends is unknown and will be dependent on the outcome of the Wavetower claim. If this is resolved, it would be the intention of the Joint Liquidators to pay a further dividend as soon as possible.

7. Joint Liquidators’ Remuneration and Outlays

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

- For the period 10 February 2018 to 13 July 2018, remuneration of £173,984.50 (excluding VAT) and outlays of £4,590.30 (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 in addition to a summary of all time costs incurred in the liquidation from the date of appointment to 30 October 2018.

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 cannot 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 the date of this circular, should there be no appeal we will proceed to draw the approved remuneration and outlays.

8. 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.

9. 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 or with completion of the claim form, 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

The Joint Liquidators are Data Controllers as defined by the Data Protection Act 1998. Personal data will be kept secure and processed only for matters relating to the liquidation.

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 2018

Statement of Affairs £	From 01/05/2018 To 30/10/2018 £	From 31/10/2012 To 30/10/2018 £
ASSET REALISATIONS		
	NIL	70,000.00
1,871,000.00	NIL	2,355,961.58
Uncertain	NIL	2,513,944.00
Uncertain	NIL	NIL
Uncertain	NIL	24,000,000.00
	NIL	90,742.38
	NIL	550,000.00
Uncertain	NIL	NIL
	87,075.50	209,576.83
	NIL	6,533.53
	NIL	3,713.27
	87,075.50	29,800,471.59
COST OF REALISATIONS		
	NIL	555.00
	NIL	86,469.06
	278,899.65	4,414,671.13
	2,369.02	58,679.66
	NIL	191,364.84
	1,625.13	32,554.11
	NIL	9,577.00
	NIL	190,432.53
	NIL	572,400.00
	221,247.24	3,951,512.31
	91,838.18	983,028.57
	NIL	1,809.80
	NIL	130,000.00
	16,083.52	189,257.72
	NIL	47,885.00
	NIL	257,799.88
	NIL	3,629.68
	NIL	3,586.66
	NIL	1,381.24
	NIL	284,327.78
	NIL	439.68
	NIL	5,381,250.00
	NIL	353,756.19
	NIL	25,000.00
	NIL	240,000.00
	53.74	700.90
	NIL	1,123.54
	(612,116.48)	(17,413,192.28)

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 (In Liquidation)

 Summary of the Joint Liquidators' Receipts and Payments for the period from 31 October 2012 to
 30 October 2018

Statement of Affairs £	From 01/05/2018 To 30/10/2018 £	From 31/10/2012 To 30/10/2018 £
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)
UNSECURED CREDITORS		
(7,033,666.84) Trade & Expense Creditors	NIL	214,650.40
(7,736,000.00) Debenture Holders	NIL	301,127.23
Uncertain Unsecured E.P.A.	NIL	901.34
(20,030,000.00) Directors	NIL	NIL
(27,211,671.63) Ticketus	NIL	430,100.00
(3,344,432.04) Football Creditors	NIL	14,905.32
(94,426,217.22) HMRC	NIL	3,658,915.11
	-	(4,620,599.40)
DISTRIBUTIONS		
(10,879,400.00) Ordinary Shareholders	NIL	NIL
	NIL	NIL
(168,798,387.73)	(525,040.98)	7,757,414.44
REPRESENTED BY		
VAT Input		305,953.87
The Royal Bank of Scotland		6,007,651.78
Bank of Scotland - 32 Day Notice		2,095,847.88
Santander Client Account		2,648,594.53
VAT Output		(10,000.00)
Funds to be consigned		(34,635.87)
Funds set aside in respect of held claims		(3,255,997.75)
		7,757,414.44

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

Appendix 2 - SIP 9 Summary of Joint Liquidators' Time Costs

RFC 2012 PLC (FORMERLY THE RANGERS FOOTBALL CLUB PLC) - IN LIQUIDATION
 Summary of Time Charged and Rates Applicable for the Period 10 February 2018 to 13 July 2018

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														
Planning & Strategy	2.00	1,254.00	5.30	1,335.50	-	-	-	-	-	-	-	-	7.30	2,592.50	355.14
Dealing with Solicitors & Legal Claims	2.00	1,311.00	-	-	-	-	-	-	-	-	-	-	2.00	1,311.00	655.50
Forensic IT and Accounting	73.25	36,264.75	0.70	332.50	-	-	-	-	-	-	-	-	73.95	36,597.25	494.89
Tax	77.25	42,689.25	-	-	-	-	-	-	-	-	-	-	77.25	42,689.25	552.61
General Administration & Other Matters	5.00	2,410.00	-	-	-	-	-	-	-	-	-	-	5.00	2,410.00	482.00
Investigations	57.75	31,046.25	29.00	12,735.40	17.75	5,733.25	-	-	-	-	-	-	104.50	49,514.90	473.83
Assets Realisation/Dealing	0.60	312.00	9.20	2,780.20	-	-	-	-	0.50	111.50	19.55	1,809.80	29.85	5,013.50	-
Employee Matters	-	-	0.75	159.75	-	-	-	-	-	-	-	-	0.75	159.75	213.00
Creditor Claims	-	-	29.35	6,445.05	-	-	-	-	-	-	-	-	29.35	6,445.05	219.59
Reporting	19.50	11,781.50	39.05	13,623.60	-	-	-	-	-	-	-	-	58.55	25,405.10	433.90
Distribution & Closure	-	-	8.65	1,846.20	-	-	-	-	-	-	-	-	8.65	1,846.20	213.43
	237.35	127,068.75	122.00	39,261.20	17.75	5,733.25	-	-	0.50	111.50	19.55	1,809.80	397.15	173,984.50	438.08
													Disbursements	4,590.30	
													TOTAL	178,574.80	

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 2018

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														
Planning & Strategy	90.70	33,388.60	15.00	6,216.00	-	-	30.00	6,798.00	-	-	-	-	135.70	46,402.60	341.95
Dealing with Solicitors & Legal Claims	102.25	59,083.50	65.55	23,450.40	45.00	8,590.90	35.00	7,887.00	-	-	-	-	247.80	99,011.80	399.56
Forensic IT and Accounting	1,854.25	1,006,808.38	795.60	341,491.90	202.10	52,791.70	291.50	71,417.50	-	-	0.15	16.50	3,143.60	1,472,025.98	468.26
Tax	156.40	100,926.90	901.64	414,275.90	591.06	227,198.19	585.70	199,387.25	100.63	15,789.16	-	-	2,335.43	957,777.40	410.11
General Administration & Other Matters	128.54	81,841.09	167.90	86,273.69	114.38	39,758.38	76.44	25,481.53	39.65	8,448.06	0.50	62.00	527.41	241,864.75	488.59
Investigations	539.25	259,857.95	246.43	98,825.10	179.20	42,595.25	547.00	107,340.00	178.65	24,481.20	176.00	18,178.70	1,866.53	550,978.20	295.19
Assets Realisation/Dealing	246.45	124,429.30	33.90	14,790.10	33.75	8,926.25	-	-	2.50	447.50	9.10	1,044.05	324.70	149,637.20	460.85
Employee Matters	369.10	159,826.50	110.50	35,643.60	7.50	1,531.00	99.25	24,316.25	8.00	1,179.50	19.55	1,809.80	613.90	224,306.65	365.38
Creditor Claims	11.00	4,628.00	17.30	3,962.45	38.50	6,905.00	3.53	864.50	7.55	1,180.10	0.20	20.80	78.08	17,560.85	224.91
Reporting	539.35	249,856.65	279.70	76,089.70	656.50	125,021.80	103.40	19,632.20	39.70	5,640.80	72.00	4,084.50	1,690.65	480,325.65	284.11
Distribution & Closure	541.25	291,927.75	393.40	159,253.05	245.85	56,296.75	175.50	41,836.50	30.25	3,935.50	18.35	1,604.10	1,404.60	554,518.65	394.79
	1.00	691.00	23.45	5,714.10	79.95	15,764.25	-	-	5.50	1,006.50	26.50	2,199.35	136.40	25,375.20	186.04
	4,578.54	2,372,130.62	3,050.38	1,265,985.98	2,193.79	585,379.47	1,947.32	505,160.73	412.43	62,108.32	322.35	29,019.80	12,504.80	4,819,784.93	385.43
													Disbursements	65,569.35	
													TOTAL	4,885,354.28	

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	Up to 1 July 2018		From 1 July 2018	
	<u>Glasgow</u>	<u>London</u>	<u>Glasgow</u>	<u>London</u>
	£	£	£	£
Partner	482	741	494	760
Principal	373	572	382	586
Director / Senior Manager	285-334	436-513	292-342	422-526
Manager	213-241	328-370	218-247	336-379
Assistant Manager	192	295	197	302
Senior Administrator	144-180	223-276	148-185	228-283
Administrator	83-132	127-249	70-135	130-229
Support staff/Secretary	83	102	70	105

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

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, in respect of this appointment is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged.

A further disbursement under this heading is 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 Insolvency Rules 1986 to recover this disbursement.

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

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.

Appendix 3 - Notice of Annual Meeting on 9 January 2019**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 at Finnieston Room, Radisson Blu Glasgow, 301 Argyle Street, Glasgow, G2 8DL on 9 January 2019, at 11am, for the purpose of receiving the Joint Liquidators' account of the winding up.



James Bernard Stephen
Joint Liquidator

Date 7 December 2018

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

Form of Proxy**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

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 January 2019 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).

Claim Form

Rule 4.15 The Insolvency Act 1986

Form 4.7 (Scot)

Statement of Claim by Creditor

Pursuant to Rule 4.15(2)(a) of the Insolvency (Scotland) Rules 1986

WARNING

It is a criminal offence

- for a creditor to produce a statement of claim, account, voucher or other evidence which is false, unless he shows that he neither knew nor had reason to believe that it was false; or

- for a director or other officer of the company who knows or becomes aware that is false to fail to report it to the liquidator within one month of acquiring such knowledge. On conviction either the creditor or such director or other officer of the company may be liable to a fine and/or imprisonment.

Notes

(a) Insert name of company

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

(b) Insert name and address of creditor

(b)

(c) Insert name and address, if applicable, of authorised person acting on behalf of the creditor

(c)

(d) Insert total amount as at the due date (see note (e) below) claimed in respect of all the debts, the particulars of which are set out overleaf.

I submit a claim of (d) £ _____ in the liquidation of the above company and certify that the particulars of the debt or debts making up that claim, which are set out overleaf, are true, complete and accurate, to the best of my knowledge and belief.

(e) The due date in the case of a company

(i) which is subject to a voluntary arrangement is the date of a creditors' meeting in the voluntary arrangement;

(ii) which is in administration is the date on which the company entered administration;

(iii) which is in receivership is the date of appointment of the receiver; and

(iv) which is in liquidation is the commencement of the winding up.

Signed _____
Creditor/person acting on behalf of creditor

The date of commencement of the winding up is

(i) in a voluntary winding up the date of the resolution by the company for winding up (sect. 86 or 98); and

(ii) in a winding up by the court, the date of the presentation of the petition for winding up unless it is preceded by a resolution for voluntary winding up (section 129)

Date _____

Rule 4.15

From 4.7 (Scot) (contd.)

PARTICULARS OF EACH DEBT

Notes

A separate set of particulars should be made out in respect of each debt.

- | | |
|---|---------------------------------------|
| <p>1. Describe briefly the debt, giving details of its nature, the date when it was incurred and when payment became due</p> <p>Attach any documentary evidence of the debt, if available.</p> | <p>1. Particulars of debt</p> |
| <p>2. Insert total amount of the debt, showing separately the amount of principal and any interest which is due on the debt as at the due date (see note (e)). Interest may only be claimed if the creditor is entitled to it. Show separately the VAT on the debt and indicate whether the VAT is being claimed back from HM Customs and Excise.</p> | <p>2. Amount of debt</p> |
| <p>3. Insert the nature and amount of any preference under Schedule 6 to the Act claimed in respect of the debt.</p> | <p>3. Preference claimed for debt</p> |
| <p>4. Specify and give details of the nature of any security held in respect of the debt, including:-</p> <p>(a) the subjects covered and the date when it was given;</p> <p>(b) the value of the security</p> <p>Security is defined in section 248(b) of the Insolvency Act 1986 as meaning 'any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off)'. For claims in administration procedure security also includes a hire purchase agreement, agreement for the hire of goods for more than three months and a conditional sale agreement (see Rule 2.33).</p> | <p>4. Security for debt</p> |
| <p>In liquidation only the creditor should state whether he is surrendering or undertakes to surrender his security; the liquidator may at any time after 12 weeks from the date of commencement of the winding up (note (e)) require a creditor to discharge a security or to convey or assign it to him on payment of the value specified by the creditor.</p> | |
| <p>5. In calculating the total amount of his claim in a liquidation, a creditor shall deduct the value of any security as estimated by him unless he surrenders it (see note 4).</p> | <p>5. Total amount of debt</p> |
| <p>6. In the case of a member state liquidator creditor, specify and give details of underlying claims in respect of which he is claiming as creditor</p> | <p>6. Underlying claims</p> |