

Private & Confidential

10 June 2019

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 8 December 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 and Rules 7.4 and 7.8 of The Insolvency (Scotland) (Receivership and Winding up) Rules 2018, an update to creditors regarding progress in the liquidation to date;
- An update regarding the payment of a further interim dividend to creditors; and
- Notification of the Joint Liquidators’ remuneration and outlays as approved by the Liquidation Committee (“the Committee”).

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 April 2019, 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 7 December 2018, the Committee had previously approved the Joint Liquidators' remuneration and outlays for the period 10 February 2018 to 13 July 2018, in the sums of £173,984.50 and £4,590.30 respectively. The 14 day appeal period has since expired and, of these, fees of £70,115.00 and outlays of £3,470.12 have been drawn in the period. The balance of fees of £103,869.50 and outlays of £1,120.18 was drawn after the period end and does not appear on the receipts and payments account.

Fees of £140,732.80 and outlays of £687.18 were also drawn in the period in respect of remuneration accruing in the period from 16 September 2017 to 9 February 2018 which, as set out in our last report, had previously been approved.

The remuneration drawn in the liquidation to the end of the period totals £4,625,158.93, together with outlays of £62,836.96. 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	1,411,047.78	611,561.08
Stephenson Harwood	7,619,659.12	694,463.46
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	299,936.66	59,553.30
Levy & McRae	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 our requests had not been received. After consulting with the Committee it was agreed that the Joint Liquidators should commence legal action against the 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 which 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 relates to interest and penalties (c£36m). The penalty element of the claim was c£24m and was levied at 65% of the tax liability due. 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, the Joint Liquidators 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 agreed with our submission in its entirety, and the element of HMRC's claim pertaining to the penalties has 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 that the Committee had previously approved the Joint Liquidators' proposed Scheme of Division.

As previously reported, the payment of the dividend 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 has continued to pursue the claim.

In the claim, in the initial sum of £18.3m, Wavetower asserted that it had a floating charge over the Company's assets. If valid, this claim would rank ahead of unsecured creditors.

The previous reports dated 5 December 2017, 8 June 2018 and 7 December 2018 set out the circumstances under which various claims have been submitted by Wavetower, and how on each occasion these had been rejected by the Joint Liquidators, most recently a revised claim of £2.8m. In September 2018, 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.

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.

In parallel with the Court procedure, and in order to attempt to reach a consensual resolution of the dispute without further recourse to the Court, the Joint Liquidators agreed to a mediation which took place on 12 November 2018. The mediation occurred following it being agreed between the parties that the proceedings in Scotland, in respect of Wavetower's appeal of the Joint Liquidators' decision to reject its claim, would be sisted for a period of 3 months, such period to expire on 13 November 2018 (the day after the mediation date).

Whilst the mediation did not result in an agreement being reached between the parties, it was agreed that the discussions would continue outside of the formal mediation process, and the parties agreed to continue to sist the Court process. As at the date of this report, the discussions are ongoing, but the Joint Liquidators hope to be able to provide a substantive update in the next report to creditors.

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 3.91 pence in the £ was proposed. The proposed dividend also made provision 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 actually distributed to creditors with agreed claims is £1,365,856.77.

The reduction in the provision of c£30m set against HMRC's claim (comprising, primarily, the penalty element of the Big Tax claim, along with other provisions) at a dividend rate of 3.91p will result in a release of in excess of £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. Once 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

Since the date of the last report, the Joint Liquidators have not sought any further approval for their remuneration from the Committee, but will do so in due course.

The basis of remuneration in this case is a time cost basis. We enclose a SIP9 summary of our time costs accrued since 13 July 2018, being the date up to which the Committee's approval was last sought (and obtained). Also enclosed is a summary of all time costs incurred in the liquidation from the date of appointment to 30 April 2019.

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 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 April 2019**

Statement of Affairs £	From 31/10/2018 To 30/04/2019 £	From 31/10/2012 To 30/04/2019 £
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
	11,759.74	221,336.57
	NIL	6,533.53
	NIL	3,713.27
	11,759.74	29,812,231.33
COST OF REALISATIONS		
	NIL	555.00
	NIL	86,469.06
	210,487.80	4,625,158.93
	4,157.30	62,836.96
	NIL	191,364.84
	600.00	33,154.11
	NIL	9,577.00
	NIL	190,432.53
	NIL	572,400.00
	164,532.59	4,116,044.90
	55,730.57	1,038,759.14
	NIL	1,809.80
	NIL	130,000.00
	NIL	189,257.72
	NIL	47,885.00
	NIL	257,799.88
	NIL	3,629.68
	333.33	3,919.99
	184.00	1,565.24
	NIL	284,327.78
	NIL	439.68
	NIL	5,381,250.00
	2,400.00	356,156.19
	NIL	25,000.00
	NIL	240,000.00
	45.85	746.75
	NIL	1,123.54
	(438,471.44)	(17,851,663.72)

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(In Liquidation)**

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30 April 2019**

Statement of Affairs £	From 31/10/2018 To 30/04/2019 £	From 31/10/2012 To 30/04/2019 £
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	<u>NIL</u>	<u>(9,265.47)</u>
UNSECURED CREDITORS		
(7,033,666.84) Trade & Expense Creditors	NIL	214,650.40
(7,736,000.00) Debenture Holders	555.23	301,682.46
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	<u>NIL</u>	<u>3,658,915.11</u>
	555.23	(4,621,154.63)
DISTRIBUTIONS		
(10,879,400.00) Ordinary Shareholders	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
<u>(168,798,387.73)</u>	<u>(426,156.47)</u>	<u>7,330,147.51</u>
REPRESENTED BY		
VAT Input		389,468.29
The Royal Bank of Scotland		5,494,330.93
Bank of Scotland - 32 Day Notice		2,095,847.88
Santander Client Account		2,650,281.65
VAT Output		(10,000.00)
Funds to be consigned		(34,483.38)
Funds set aside in respect of held claims		(3,255,297.86)
		<u>7,330,147.51</u>

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

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

A CREDITORS' GUIDE TO LIQUIDATORS' REMUNERATION - SCOTLAND

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	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

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.

Statement of claim by creditor in liquidation

Pursuant to Rule 7.16 of the Insolvency (Scotland) (Receivership and Winding up) Rules 2018

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 which is in liquidation is the commencement of the winding up.

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 winding up order, unless it is preceded by a resolution for voluntary winding up (section 247)

Signed _____
Creditor/person acting on behalf of creditor

Date _____

PARTICULARS OF EACH DEBT

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

- | | |
|---|--|
| 1. 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. | 1. Amount of debt |
| 2. Does the debt include any outstanding uncapitalised interest? | 2. *Yes / *No (*delete as applicable) |
| 3. Describe briefly the debt, giving details of its nature, the date when it was incurred and when payment became due. | 3. Particulars of debt |
| 4. Specify and give details of the nature of any security held in respect of the debt, including:-

(a) the subjects covered and the date when it was given;

(b) the value of the security

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)'.
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. | 4. Security for debt |
| 5. Include details of any retention of title in relation to goods to which the debt relates. | 5. Retention of title |
| 6. Insert the nature and amount of any preference under Schedule 6 to the Act claimed in respect of the debt. | 6. Preference claimed for debt |
| 7. 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. | 7. Underlying claims |
| 8. Include details of any document by reference to which the debt can be substantiated. | 8. Documentary evidence |