

Private & Confidential

10 December 2021

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 2020 and our subsequent letters to creditors dated 15 February 2021, 12 April 2021 and 27 August 2021.

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 outcome of the action against the former Joint Administrators; and
- Notification of the Joint Liquidators’ remuneration and outlays as approved by the Liquidation Committee (“the Committee”).

As previously reported, this is a complex liquidation containing a number of key areas of investigation.

We are pleased to advise that the claim against the former Joint Administrators has now concluded and we provide further details later in this report.

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-four 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 as their investigations progress.

2. Receipts and Payments

We attach a summary of our receipts and payments for the twelve month period to 30 October 2021, 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 2020, fees to 15 May 2020 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 15 February 2021, fees of £279,660.05 for the period 16 May 2020 to 11 December 2020 were approved by the Committee. Following the expiry of the 14 day appeal period, fees of £279,660.05 have been drawn in the period;
- As notified to creditors in our letter of 12 April 2021, fees of £166,693.50 for the period 12 December 2020 to 19 February 2021 were approved by the Committee. Following the expiry of the 14 day appeal period, fees of £166,693.50 have been drawn in the period; and
- As notified to creditors in our letter of 27 August 2021, fees of £391,218.48 for the period 20 February 2021 to 25 June 2021 were approved by the Committee. Following the expiry of the 14 day appeal period, fees of £391,218.48 have been drawn in the period.

To date the the remuneration drawn in the liquidation to the end of the period totals £6,130,084.49, 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	1,572,585.57	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	1,549,416.61	1,130,505.45
Levy & McRae	84,051.34	17,044.04
One Essex Court	-	18,937.50

As previously advised, of the legal fees paid to Stephenson Harwood, 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 remained in correspondence with the former Joint Administrators. 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 was not received and we continued to liaise closely with the Committee in considering the further actions in relation to these investigations.

Formal legal action by way of a note in the liquidation was raised in February 2017. Extensive pre-trial correspondence and preparation was required. 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 on key aspects of the Joint Liquidators' claim and made an award in the sum of c£3.4 million (plus interest and costs) against the former Joint Administrators.

Under Scots law the successful party is entitled to all costs in respect of the claim. However, the legal agents acting for the former Joint Administrators objected to the award of costs, in particular seeking to recover their own costs in respect of certain heads of the claim where no award was made. In addition, they also attempted to have the costs of the Joint Liquidators' expert witnesses relevant to certain other heads of claim which had been advanced by the Joint Liquidators eliminated from any costs award.

At a cost hearing on 16 November 2021, Lord Tyre awarded interest at 4% of the award from the date of the sale of the assets by the Joint Administrators (14 June 2012). He also determined as follows:

- The respondents were not entitled, as the losing party, to claim costs in respect of those heads of claim where no award was made;
- Those expert witnesses whose costs were contested by the former Joint Administrators, along with all other expert witnesses, were certified and, as such, the Joint Liquidators are entitled to seek recovery of their costs; and
- He agreed with our submissions, that in respect of the majority of the heads of the Joint Liquidators' claim, the legal work undertaken was complex and involved significant productions and pleadings. Accordingly, we are entitled to seek an uplift in recovery of our legal firms' costs from the statutory hourly charges laid down by the Court. Consequently, our recovery of legal costs will be enhanced from the statutory minimum.

We are pleased to report that the sum of c£4.7m was duly received from the Joint Administrators' legal team representing the sum awarded plus interest. As the receipt was after the period covered in this report, it does not appear in the receipts and payments account appended to this report but will be reflected in all future reports.

The Joint Liquidators are now collating details of the costs to be submitted to a law accountant, whose report will be submitted prior to the 4 month deadline of 15 March 2022.

There are two possible resolutions to this issue:

- The parties agree consensually between them an appropriate recovery of costs; or
- If the matter cannot be agreed consensually, it will be referred to the Auditor of Court who will review the accounts presented, consider representations and opine on a suitable recovery of costs. The respondent is responsible for the fees of the Auditor of Court, should matters proceed in this way.

4. EBT/HMRC

We provided a detailed update in respect of the HMRC claim in our previous report to creditors.

The current position in respect of the elements of the HMRC claim is 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 we have maintained correspondence with HMRC in the past few months and this matter continues to progress with a view to reaching a resolution in relation to the remaining elements of the claim. HMRC had helpfully understood and accepted that trying to resolve the claim prior to the resolution of the claim against the former Joint Administrators was not the most effective way to finalise the matter.

Once the quantum of the cost recovery becomes clearer, we will engage further with HMRC to determine the most appropriate route for adjudication of the claim, which will also include consultation and guidance from the Liquidation Committee.

5. Dividend Prospects

In December 2019, the Committee approved the Scheme of Division for the second distribution of 3p in the £.

The distribution to all admitted creditors was made on 10 March 2020. However with the impact of COVID-19, many cheques were returned undelivered due to premises being closed or creditors being unable to bank their cheques. In addition a large number of cheques were simply not presented.

Where creditors have contacted us, we have been able to reissue payments. To date we have recorded £47,878.16 of payments not banked from the latest distribution (and £31,482.59 from the first distribution). Any unclaimed dividends at the end of the Liquidation will be consigned to the Accountant of Court.

Based on current information we expect there to be further distributions from the estate. However, the timing and quantum will be dependent on the finalisation of the HMRC claim and the ultimate recovery of expenses from the former Joint Administrators.

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 a SIP9 summary of our time costs since the last approval, for the period from 26 June 2021 to the end of the period covered by this report, 30 October 2021. Also enclosed is a summary of all time costs incurred in the liquidation from the date of appointment to 30 October 2021.

We will issue the Committee with a further fee resolution in respect of the period from 26 June 2021. This will be communicated to creditors in due course 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.

Due to the significant issues to be resolved in the liquidation, it is not currently clear when the Joint Liquidators will be in a position to bring this case to a conclusion. Further reports will be circulated to creditors within six weeks of each twelve month anniversary of the date of liquidation.

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.

PREFERENTIAL CREDITORS			
	Preferential N.I.C.& Tax	NIL	2,121.42
(1,000.00)	RPO	NIL	742.32
(7,000.00)	Employees' Preferential Claims	NIL	6,401.73
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
		-	(6,690,627.84)
DISTRIBUTIONS			
(10,879,400.00)	Ordinary Shareholders	NIL	NIL
		<hr/>	<hr/>
		NIL	NIL
		<hr/>	<hr/>
(168,798,387.73)		(3,584,570.46)	359,281.99
REPRESENTED BY			
	VAT Input		222,116.62
	VAT Output		NIL
	VAT Control Account		446,885.77
	The Royal Bank of Scotland		150,031.57
	Bank of Scotland - 32 Day Notice		2,106,733.96
	Santander Client Account		1,181,298.83
	Funds to be consigned		(79,360.75)
	Funds set aside in respect of held claims		(3,668,424.01)
			<hr/>
			359,281.99
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- The Company is VAT registered. Receipts and payments are shown net of VAT.

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 2021

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	
Planning & Strategy	111.25	66,870.75	75.60	27,132.60	45.00	8,590.90	35.00	7,887.00	-	-	-	-	266.85	109,481.25	410.27
Dealing with Solicitors & Legal Claims	3,176.38	1,769,959.00	1,032.75	403,929.05	202.10	52,791.70	291.50	71,417.50	2.50	367.50	0.15	16.50	4,705.38	2,297,481.25	488.27
Forensic IT and Accounting	168.36	110,350.78	935.22	439,492.42	612.54	235,741.41	585.70	199,887.25	102.65	16,278.94	-	-	2,404.47	1,001,450.80	416.49
Tax	234.90	156,642.65	335.50	204,632.63	273.31	104,963.49	101.46	32,738.57	110.49	18,984.87	2.94	226.26	1,058.59	518,188.46	489.51
General Administration & Other Matters	782.30	380,009.08	436.13	158,811.90	213.30	51,576.10	547.80	107,500.30	179.60	25,098.40	331.35	30,593.05	2,490.48	753,586.83	302.59
Investigations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	16,378.60	225.28
Creditor Claims	530.60	246,060.65	338.20	94,933.60	656.50	125,021.80	103.40	19,632.20	45.85	6,065.15	73.85	4,212.15	1,768.40	495,925.55	280.44
Reporting	646.45	355,212.85	590.95	235,205.90	245.85	56,296.75	175.50	41,836.50	30.25	3,935.50	19.35	1,673.10	1,708.35	694,160.60	406.33
Distribution & Closure	6.00	3,161.00	194.60	45,478.00	79.95	15,764.25	-	-	15.75	1,734.25	28.50	2,367.35	324.80	66,504.85	210.91
	6,121.54	3,282,537.10	4,106.95	1,656,109.30	2,374.55	659,182.40	1,973.14	512,378.07	502.64	74,824.20	475.89	40,919.01	15,554.70	6,226,150.08	400.27
													Disbursements		
													TOTAL	71,070.15	
													TOTAL	6,297,220.23	

Summary of Time Charged and Rates Applicable for the Period 26 June 2021 to 30 October 2021

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	-	-	0.70	462.70	-	-	-	-	-	-	-	-	0.70	
Dealing with Solicitors & Legal Claims	38.45	22,940.78	7.25	1,877.75	-	-	-	-	-	-	-	-	45.70	24,818.53	543.07
Tax	35.61	19,092.06	28.06	15,143.09	-	-	1.94	562.16	0.21	31.35	-	-	65.82	34,828.65	529.18
General Administration & Other Matters	1.65	1,207.85	16.25	4,786.55	0.35	54.60	0.15	29.25	-	-	25.25	2,290.20	43.65	8,368.45	191.72
Employee Matters	-	-	1.25	323.75	-	-	-	-	-	-	-	-	1.25	323.75	259.00
Creditor Claims	6.00	3,048.00	7.70	1,994.30	-	-	-	-	-	-	-	-	13.70	5,042.30	368.05
Reporting	8.95	5,282.60	18.55	9,345.50	-	-	-	-	-	-	-	-	27.50	14,628.10	531.93
Distribution & Closure	-	-	7.05	1,825.95	-	-	-	-	-	-	-	-	7.05	1,825.95	259.00
	90.66	51,571.28	86.81	35,759.59	0.35	54.60	2.09	591.41	0.21	31.35	25.25	2,290.20	205.37	90,298.43	439.69
													Disbursements		
													TOTAL	90,298.43	

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 3 July 2021		To 3 July 2021	
	<u>Glasgow</u>	<u>London</u>	<u>Glasgow</u>	<u>London</u>
	£	£	£	£
Partner	508	812	509	783
Principal	508	812	-	604
Director / Senior Manager	355 - 426	568 - 681	301-352	391-542
Manager	259	414	225-254	294-346
Assistant Manager	195	311	203	311
Senior Administrator	181	290	152-191	228-283
Administrator	156	151	71-139	134-236
Support staff/Secretary	95	76	71	108

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.