



The Global CEO Advisory Firm

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# Providence Investment Funds PCC Limited (“PIF”) and Providence Investment Management International Limited (“PIMIL”) (both in Administration Management) (the “Companies”)







Final report

March 2023

Alexander Cameron Adam, Philip Stephen Bowers and Andrew Paul Isham (the “Joint Administration Managers”, the “JAMs”) were appointed Joint Administration Managers of Providence Investment Funds PCC Limited and Providence Investment Management International Limited on 9 August 2016 by the Royal Court of Guernsey. Andrew Paul Isham resigned as a Joint Administration Manager on 20 May 2019, and Philip Stephen Bowers resigned as a Joint Administration Manager on 18 November 2019. Ian Colin Wormleighton was appointed Joint Administration Manager by order of the Royal Court of Guernsey on 22 November 2019.

The affairs, business and property of the Companies are managed by the Joint Administration Managers.

The Joint Administration Managers act as agents of the Companies and contract without personal liability.

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## Glossary

### Joint Administration Managers

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<https://www.ips-docs.com/case/PROV09Y/TeneoT RL2021>



<b>AB</b>	Antonio Carlos de Godoy Buzaneli	<b>PCC</b>	A protected cell company, being a company that operates through Cells, each with their own shareholders, assets and liabilities
<b>BPA Fomento</b>	BPA Fomento Mercantil, Investimentos E Participações LTDA	<b>PFM, Providence Fomento</b>	Providence Fomento Mercantil Investimentos E Participações LTDA
<b>Cayman Fund</b>	Providence Fixed Income Fund SPC	<b>PGL</b>	Providence Global Limited
<b>Cell</b>	An individual protected cell of PIF or PIP	<b>PIF</b>	Providence Investment Funds PCC Limited
<b>Commission, GFSC</b>	The Guernsey Financial Services Commission	<b>PIMIL</b>	Providence Investment Management International Limited
<b>Companies</b>	PIF and PIMIL	<b>PIP</b>	Providence Investments PCC Limited
<b>Court</b>	The Royal Court of Guernsey	<b>POI Law</b>	The Protection of Investors (Bailiwick of Guernsey) Law, 1987
<b>Deloitte</b>	Deloitte LLP	<b>PwC</b>	PricewaterhouseCoopers CI LLP
<b>Factoring Companies</b>	PFM and BPA Fomento	<b>Scheme Particulars</b>	A documents issued to potential investors setting out the investment objectives, strategy and risks of investing in PIF
<b>Group</b>	The corporate group headed by PGL	<b>SME</b>	Small and medium-sized enterprises
<b>JAM(s)</b>	Joint administration manager(s)	<b>Supplemental Particulars</b>	Supplementary documents based on the Scheme Particulars issued in respect of each new Cell
<b>JMO</b>	José Manuel Ordoñez	<b>Teneo</b>	Teneo Financial Advisory Limited
<b>LFA</b>	The loan framework agreement executed between PFM and PGL	<b>US Group</b>	The corporate group headed by Providence Holdings International, Inc
<b>LFS</b>	Lumiere Fund Services Limited	<b>Wider Group, Providence</b>	The corporate entities established by Antonio Buzaneli in various jurisdictions
<b>LWL</b>	Lumiere Wealth Limited		



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# Background

## Appointment information

### Appointment information

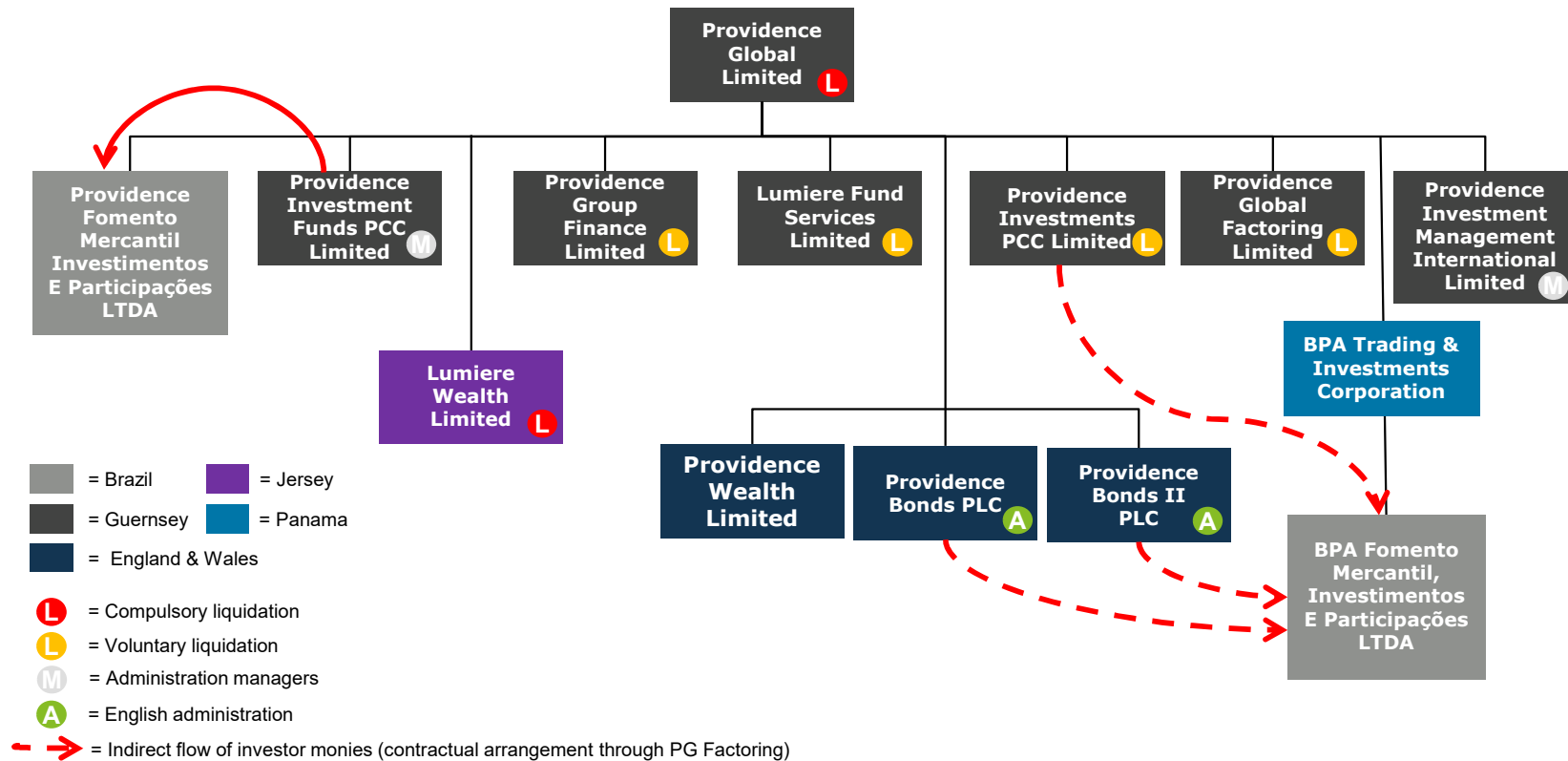
Alex Adam, Andrew Isham and Phil Bowers were appointed Joint Administration Managers of PIF and PIMIL on 9 August 2016 by order of the Royal Court following an application by the Guernsey Financial Services Commission and pursuant to the Protection of Investors (Administration and Intervention) (Bailiwick of Guernsey) Ordinance 2008 (since superseded by the Financial Services Business (Enforcement Powers) (Bailiwick of Guernsey) Law, 2020).

Andrew Isham and Phil Bowers resigned as JAMs when they retired as partners of Deloitte, on 20 May and 18 November 2019, respectively. Ian Wormleighton was sworn in as a second active JAM on 22 November 2019.

Following their appointment, the JAMs undertook an initial review of the Companies' affairs, and concluded that it would be necessary to seek appointment over the Group's Guernsey parent company, Providence Global Limited, in order to gain control over PGL's group (the "Group").

As a result, on 22 August 2016, on application of the GFSC, the Royal Court order that PGL be placed into compulsory liquidation, with Alex Adam, Andrew Isham and Phil Bowers appointed as liquidators.

On the same date, each of PGL's subsidiaries was either placed into voluntary liquidation, by resolution of PGL acting by its liquidators, or applied for voluntary strike-off where the company in question was dormant.



Source: Management information



## Background

PIF, PIMIL and the Providence group

### The Providence group

#### The US group:

The Wider Group of Providence companies was started in 2008 by Antonio Buzaneli and José Manuel Ordoñez with the incorporation of Providence Holdings International, Inc in Delaware.

This was followed by two subsidiaries, Providence Financial Investments, Inc and Providence Fixed Income Fund, LLC – both also incorporated in Delaware (together with their parent, the “US Group”).

All three companies were run from Florida, and the two subsidiaries issued promissory notes to investors in the US totalling over \$64m, between 2010 and 2016.

Monies collected from investors were ostensibly for deployment to ‘factoring companies’ in Brazil, which would in turn lend this money to local trading SMEs via the acquisition of post-dated cheques (i.e. short term credit facilities).

#### The Guernsey group:

PGL was incorporated in Guernsey in December 2011 by AB and JMO.

In February 2012 PIMIL and Providence Investments PCC Limited (“PIP”) (an unregulated company purportedly set up to act as an investment vehicle for friends and family of the Providence executives) were incorporated, and a month later, in March 2012, PIF was incorporated.

In September 2014, PGL acquired a controlling interest in Fund Corporation of the Channel Islands Limited, which was subsequently renamed Lumiere Fund Services Limited (“LFS”), and acted as the regulated corporate administrator to PIF.

In July 2014, PGL established an independent financial advisory business in Jersey, as a majority investor, with Christopher Byrne holding the minority stake of 30%. This business was Lumiere Wealth Limited.

Also within PGL’s corporate group were two minibond issuers registered in the UK – Providence Bonds plc and Providence Bonds II plc – which were established in 2014 and 2015 respectively.

#### Brazil:

The various investment vehicles within PGL’s group were established – and operated – with the purported intention of deploying investors’ capital to Brazilian factoring operations.

This was to be achieved via two Brazilian companies, Providence Fomento Mercantil Investimentos E Participações LTDA (“Providence Fomento”) and BPA Fomento Mercantil, Investimentos E Participações LTDA (“BPA Fomento”) (together the “Factoring Companies”).

BPA Fomento was the intended conduit of funds from the various unregistered and unregulated vehicles, and Providence Fomento was set up specifically to receive funds from PIF.

#### Other companies:

A number of additional companies established in a number of jurisdictions around the world were also incorporated under PGL.

These included back office and employment companies, as well as companies created to expand into other prospective lines of business (the vast majority of which were not materially progressed beyond the incorporation of the relevant companies).

#### Further investment entities in other jurisdictions:

In addition to the foregoing, investment vehicles were also established in the Cayman Islands and Hong Kong, with the Hong Kong operations forming part of a separate corporate group, and the Cayman fund operating on a quasi-standalone basis.



## Background

PIF, PIMIL and the Providence group

### PIF and PIMIL

#### PIF:

After being incorporated in March 2012, PIF's directors applied to the GFSC for the approval of PIF as a registered closed-ended collective investment scheme within the scope of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (the "POI Law").

Approval was given in June 2012, with LFS acting as corporate administrator and PIMIL acting as investment manager.

PIF was incorporated as a protected cell company, wherein PGL held the core/management shares (with voting rights), and a new cell was established as each fund subsequently launched.

#### Investment proposition:

PIF's investment strategy was to "*generate attractive uncorrelated, fixed coupon absolute returns from investing in the factoring of receivables of small and medium sized businesses in Brazil*" (Providence Group / Cornhill, special offer document March 2015).

The means by which PIF purported to make its investment into factoring receivables was by advancing money to Providence Fomento, which would then purchase post-dated cheques from Brazilian trading companies.

#### Cells:

As a protected cell company, investors subscribed for preference shares in specific cells, and each cell was in practice a separate fund, with a notional lifespan. As new investors subscribed, new cells were established, and as each cell reached its maturity date its investors were either redeemed or (more commonly) rolled over into new investments.

PIF's first cells were launched in 2012, with a total of [96] cells launched prior to the GFSC imposing conditions on the company in June 2016.

At the point at which new subscriptions into PIF were halted, £37.2m was owed to investors by the cells of PIF.

Scheme particulars were issued in respect of each new cell, which served to detail various particulars of the investment

objective, policies, restrictions and advisors.

For the period from June 2012 to December 2015 the investment objectives and policies were consistent for each of the cells and stated that the investment objective was to provide the applicable preferred return to preference shareholders on a fixed basis by providing access to Brazilian debt factoring opportunities. This investment objective was also consistent in the 1 January 2016 and 10 May 2016 supplemental particulars.

The investment strategy and process stated that PIF was to enter into contractual loan agreements with one or more suitably qualified Brazilian companies, and that under the loan agreements PIF would provide finance to these Brazilian companies, which will in turn enter into a series of debt factoring contracts in Brazil. The Brazilian companies were to establish segregated bank accounts for PIF. The amounts in the accounts were to be held as security for the loans advanced by PIF. As all of the receivables held in Brazil were to be repayable to these accounts, it was stated that the loans would therefore be anticipated to have significant security coverage.

In the Supplemental Particulars issued as of 1 January 2016 and 10 May 2016, which were the last issued, the investment strategy and process was amended to also include paragraphs that detailed that:

*PIF lends 100% of subscription monies to the Factoring Companies and that they use these monies for their operations, balancing operational efficiency, debt servicing and efficient mitigation of taxation.*

They also state that for the 'sake of clarity' "*the Factoring Companies maintain bank accounts outside of Brazil and manage their cashflows having regard to the taxation of monies moved into and out of Brazil, and that the Investment Manager (PIMIL) monitors that there are sufficient assets in the Factoring Companies to repay the loans to PIF*". It is also stated that PIF has entered into an agreement with PFM and PGL to make the cashflow process as efficient as possible for all parties under a master agreement and that under the agreement PGL guarantees all obligations and liabilities to PIF and that PGL may settle amounts due. It also states that a Brazilian law security over the shares of PFM and BPA has been granted by PGL to PIF.



## Background

PIF, PIMIL and the Providence group

### PIF and PIMIL (cont.)

As we reported to the Court on 9 September 2016, our review of the Scheme Particulars and Supplemental Particulars showed that the investment strategy was clearly stated as to be the making of loans to be used for factoring in Brazil. There were no apparent provisions that permitted investor monies to be utilised for other purposes. In the report of the directors in the financial statements for the year ended 31 December 2014 a reference is made to the fact that not always 100% of monies were being deployed into the Brazilian factoring companies but that they remain liable and guaranteed by PGL. This was in apparent contradiction to the provisions of the supplemental particulars as detailed above.

### PIMIL

Following its incorporation, PIMIL applied to be licensed under the POI Law, which application was approved in May 2012.

PIMIL was established to act as investment manager to PIF, given PIF was a registered scheme and hence required a regulated investment manager.

In time, PIMIL also went onto execute a management agreement with Providence's Cayman fund. While no management agreement was executed with PIP, it appears that PIMIL was also *de facto* manager of that company, given it followed the same purported investment strategy and lacked employees of its own.



## Background

### Factors leading up to the Administration Management

#### Key events prior to the Commission's application to appoint administration managers

##### 2012 – 2014:

Between PIMIL and PIF's incorporation in 2012 through to the end of 2014, the fund grew by net investor subscriptions of £16.4m/\$2.1m/€1.4m.

During this time, PIF appeared (outwardly) to be operating within its stated investment parameters.

However, in practice the majority of investors' subscriptions were not being deployed to Brazilian factoring operations.

##### H1 2015:

In or around March 2015, management of PIMIL received a draft review of PIMIL's governance and processes, produced internally. This noted a number of points, including:

- The movement of money into and out of Brazil was subject to tax in either direction. Therefore, minimising actual cash movements was attractive
- Loans from PIF to the Factoring Companies were recorded in PIF's books as being at an interest rate of 24% p.a.
- Cash management decisions had generally been made by Mr Buzaneli and documented by confirmatory emails from him
- The cash management had led to money being moved from PIF to other group companies (i.e. other than the Factoring Companies)
- There had been ongoing tracking of the overall cash flows, but this had generally only been received by Mr Buzaneli
- PIF's bookkeeping reflected a loan receivable from the Factoring Companies of 100% of the subscriptions into the funds (although most of that money had not been received by the Factoring Companies) and the Factoring Companies operated a 'gross up' of the undeployed cash periodically so as to ensure that 100% of the loan was recognised in their accounts

The review was provided to PIF and PIMIL's auditor, PricewaterhouseCoopers CI LLP ("PwC"), and in May 2015 PwC provided management with their audit planning report.

The audit planning report set out a number of observations and risk areas, which appear to have been identified through a combination of management's own report and interviews with staff.

These included:

- Passing PIF monies to PGL is a clear breach of scheme particulars
- No evidence that PIF or PIMIL actively review factoring businesses or subject AB decisions to checks and balances
- Grave concerns that cash transfers are done at the behest of a single, connected and controlling individual
- Lack of segregation of client funds

Following receipt of PwC's planning report, the directors wrote to the GFSC setting out PIF and PIMIL's internal control failures and how they intended to rectify them, highlighting in particular:

- Cash transactions had been subject solely to Mr Buzaneli's direction
- The majority of the cash had not been sent to Brazil
- Ineffective monitoring of Brazilian operations

##### H2 2015:

In October 2015, the directors undertook certain actions designed purportedly to address weaknesses in the controls over PIF's cash position and the security of its investments.

These included:

- Putting into place a loan framework agreement ("LFA"), the aim of which was to guarantee the payment obligations of any part of PGL's group against PGL's assets
- Opening accounts in Guernsey for Providence Fomento, over which the Guernsey directors had control



## Background

Factors leading up to the  
Administration Management

### Key events prior to the Commission's application to appoint administration managers (continued)

#### 2016:

In January 2016, two employees of the group, under the title of the Internal Assurance Team ("IAT") compiled a report on the internal controls and financial processes within PGL and PIF, which detailed a number of findings.

In respect of PIF:

- no liquidity monitoring of investments was undertaken;
- investor dividend payments were being met from investor inflows;
- there was no evaluation of where investor money was being spent, the reasons why, the recoverability of loans to related parties, and the ability to meet commitments being made around the world;
- concerns over 'matched trades' connected to the US Providence business.

In respect of PGL:

- there was a lack of board meetings;
- there was no group level financial forecasting;
- there was limited diligence applied prior to opening new operations; communication of compliance matters was not timely, such as regulatory findings against a business partner in Canada / Asia.

In February, management commissioned Collas Crill to provide a compliance review for the business, which identified a large number of significant issues, principally due to unmanaged conflicts of interest, including the below selected observations:

- It may appear, to a third party, that investors money is being used to meet PGL group expenses, including PFM obligations to PIF;
- PGL has effective control over PIF cash rather than LFS;
- Documentation of loans into PFM from PIF is not put in place before cash is paid, in some cases PIF inflows are used to fund PIF outflows; and

- Serious financial crime issues raised, described as likely to give rise to significant regulatory sanction.

In April 2016, PwC completed their audits of PIF's financial statements for the period ended 31 December 2013 and the year ended 31 December 2014.

Unqualified audit opinions were given on both sets of financial statements.

PwC's audit findings and management reporting raised issues including:

- Retroactive documentation, redrafting and ratifying material transactions to "align with the financial reporting";
- Systemic failings by the boards;
- Unmanaged conflicts of interest;
- Remedial actions not completed; and
- No communication with historical investors to clarify the "investment process" (i.e. that 100% of investor capital was not deployed to Brazil).

In June 2016, the United States Securities and Exchange Commission ("SEC") filed a complaint against Providence's US operations, relating to ongoing fraudulent and unregulated sale of securities.

Following the SEC's complaint becoming known, the GFSC placed conditions on PIF, stopping further subscriptions and the creation of new cells.



## Background

### Initial steps

#### Initial steps taken by the Administration Managers

##### Immediate actions:

The Administration Managers' immediate actions were set out in our report of 9 September 2016, and this report should be read in conjunction with, and referenced to, that report.

In summary, our actions immediately following appointment comprised:

- Interviews with the directors/former directors of PIF, PIMIL and LFS
- Taking control of PIF and PIMIL's electronic and paper books and records
- Communicating with investors
- Seeking to gain access to the offices of the Factoring Companies in Brazil
- Reviewing legal agreements

##### Financial position of PIF and PIMIL:

Once we had obtained PIF and PIMIL's records, we sought to establish the financial position of PIF, and the Group.

Management reported the balance sheets, at the date of our appointment, for each company as shown to the right of this page.

These balance sheets show strong net asset positions for each company, however it was immediately clear that:

- PIF's assets were almost entirely reliant on value coming back from the Factoring Companies, and/or any shortfall being covered by PGL under the LFA
- PIMIL's assets were almost entirely reliant on income from PIF's investments

As such, determining the financial position of PGL was of paramount importance, which drove the Administration Managers' recommendation that the Commission bring an application for the compulsory winding up of PGL, and the appointment of liquidators, which happened on 22 August 2016.

#### Financial position as reported to the Administration Managers by management

##### PIF balance sheet

09-Aug-16	
GBP	
Cash & cash equivalents	-
Fees & interest receivable	1,876,327
Sundry debtors	8,712
Investment loans	37,222,116
<b>Current Assets</b>	<b>39,107,155</b>
Loan payable	(1,880)
Dividends payable	(1,876,327)
Sundry creditors	(3,831)
<b>Total Liabilities</b>	<b>(1,882,038)</b>
<b>Net Assets attributable to shareholders</b>	<b>37,225,117</b>

##### PIMIL balance sheet

09-Aug-16	
GBP	
Cash & cash equivalents	3,543
Dividend receivable	7,727,411
Loans receivable	74,340
Sundry debtors	50,000
<b>Current Assets</b>	<b>7,855,294</b>
Loans payable	(408,426)
Accrued expenses	(4,504,767)
Sundry creditors	(16,922)
<b>Total Liabilities</b>	<b>(4,930,115)</b>
<b>Net Assets attributable to shareholders</b>	<b>2,925,179</b>





## Conduct of the Administration Managements

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## Conduct of the Administration Managements

No statement of affairs

### Statement of affairs

The Administration Managers were not provided with a formal statement of affairs setting out the estimated realisable value and costs to realise of each of PIF and PIMIL's assets set out in their balance sheets.

As such, our first actions following the appointment of joint liquidators over PGL was to assess the creditworthiness of the Factoring Companies as debtors of PIF, and the credibility of PGL as a guarantor of the debts owed to PIF, from which the debtors in PIMIL also derived.

### Value in Brazil

PIF was established with the stated aim of investing specifically into Providence Fomento, being effectively a ring-fenced investment vehicle. Providence's other operations, including PIP, were to invest into BPA Fomento.

Following the appointment of liquidators to PGL (as shareholder of the Factoring Companies), we attempted – via staff of Deloitte's Brazilian member firm – to gain entry to the Factoring Companies' offices.

These efforts were frustrated by Antonio Buzaneli, who acted as the sole "controller manager" of the Factoring Companies with exclusive legal authority to direct their operations.

Through interviews with the PGL and PIF/PIMIL directors and staff, we obtained March balance sheets in respect of each of the Factoring Companies, as shown to the right of this page.

It was immediately clear that there were insufficient assets in Providence Fomento (insufficient, indeed, in aggregate with BPA Fomento) to meet the receivable in PIF.

Indeed, the actual factoring receivables ("Trade accounts receivable") aggregated to just BRL 42.4m (GBP 9.9m) against investor capital in PIF of GBP 37m, and more than this again across PIP and the group's US and Cayman investment vehicles.

### Providence Fomento balance sheet

	31-Mar-16	31-Mar-16
	BRL	GBP
Cash & cash equivalents	565,919	131,606
Trade accounts receivable	5,611,389	1,304,940
Other short term receivables	(78,735)	(18,310)
Current Account:	52,423,786	12,191,256
<i>BPA</i>	36,747,518	8,545,709
<i>PGF</i>	14,513,700	3,375,190
<i>Other</i>	1,162,568	270,358
Other credits - BPA x Prov	7,736,837	1,799,217
Loans	37,833	8,798
Financial investments	232,149	53,987
Property, plant & equipment	684,498	159,181
Intangible assets	3,029	704
<b>Current Assets</b>	<b>67,216,705</b>	<b>15,631,379</b>
Suppliers	(85,472)	(19,877)
Tax & other accounts payable	(3,722,494)	(865,673)
Overseas loans	(49,896,492)	(11,603,529)
Current account loans	(16,317,969)	(3,794,776)
<b>Total Liabilities</b>	<b>(70,022,427)</b>	<b>(16,283,855)</b>
<b>Net Assets</b>	<b>(2,805,722)</b>	<b>(652,476)</b>

### PIMIL balance sheet

	31-Mar-16	31-Mar-16
	BRL	GBP
Cash & cash equivalents	24,919	5,795
Trade accounts receivable	36,791,309	8,555,892
Other short term receivables	2,517,380	585,422
Current Account	52,438,682	12,194,720
<i>Providence Turismo</i>	14,980,330	3,483,706
<i>Suba [Propaganda]</i>	11,900,534	2,767,493
<i>BPA Internacional</i>	10,800,093	2,511,583
<i>AB or other AB owned entities</i>	5,323,355	1,237,957
<i>Other group/related companies</i>	9,434,370	2,193,982
Loans	173,886	40,438
Financial investments	108,718	25,283
Property, plant & equipment	74,611	17,351
Intangible assets	85	20
<b>Current Assets</b>	<b>92,129,590</b>	<b>21,424,920</b>
Suppliers	(229,716)	(53,421)
Tax & other accounts payable	(2,603,119)	(605,361)
Overseas loans	(7,736,837)	(1,799,217)
Current account loans	(59,741,744)	(13,893,062)
<b>Total Liabilities</b>	<b>(70,311,416)</b>	<b>(16,351,060)</b>
<b>Net Assets</b>	<b>21,818,174</b>	<b>5,073,860</b>



## Conduct of the Administration Managements

No statement of affairs

### Value in Brazil (continued)

Within the Factoring Companies' trade accounts receivable balances, the vast majority of the counterparty relationships had not changed in many months, with no servicing of the debt apparent.

As such, it appeared that the predominant borrowers were using factoring effectively as an overdraft facility. Such use would tend to suggest that the borrowers were not considered sufficiently creditworthy to access conventional financing, and that they would be unable to repay outstanding amounts as those amounts fell due.

The bulk of each of the Factoring Companies' assets related to loans to associated companies: from Providence Fomento, this was loans to BPA Fomento and other Providence entities; from BPA Fomento this was to non-PGL foreign entities under the control of Antonio Buzaneli or associates.

Of these associated companies, our investigations revealed no active trading – these appeared to be undercapitalised start-up ventures that were either dormant or had collapsed.

The foregoing notwithstanding, following the placement of PGL into liquidation, its liquidators sought legal advice in Brazil as to the practicalities of gaining control of the Factoring Companies.

Under Brazilian law, this would be accomplished by replacing Mr Buzaneli as controller manager of each of the companies.

However, the liquidators were advised that this position carried personal liability for each individual appointed in the event of *inter alia* the insolvency of the relevant company.

Accordingly, given the overwhelming likelihood that the Factoring Companies were already insolvent at the time of the PGL liquidators' appointment, no individual was willing to assume this role.

The liquidators were advised that the costs of having their appointment recognised in Brazil, and then pursuing through the Brazilian courts the debts owed to the Factoring Companies by their factoring counterparties would almost certainly (and potentially quite significantly) outweigh any eventual return.

Given the liquidators were unfunded, and PGL had no readily realisable assets, no further action could be undertaken in relation to the recoverability of debts in the Factoring Companies.



## Conduct of the Administration Managements

No statement of affairs

### Valuation of PGL

No external assessment of the value of the Group was undertaken, however an internal valuation report was produced in April 2016. This internal valuation was produced, purportedly to demonstrate the creditworthiness of PGL as a guarantor under the LFA, given that materially all of the value in PGL's balance sheet derived from its investments in subsidiaries.

PGL itself was unaudited, and its last management accounts were compiled in support of the 2014 year end audit of PIF.

Based on the trial balance received from management following the appointment of the liquidators, the balance sheet shows a significant investment in subsidiaries value (£94.1m), absent which the company would be balance sheet insolvent.

#### Investment in subsidiaries

PGL's investment in subsidiaries balance was dominated by the internally-produced valuation of the Factoring Companies at £81m.

This valuation was based on a 10x price/earnings multiple, applied to an average of the forecast operating profits across the Factoring Companies in 2016, 2017 and 2018.

As set out earlier in this report, the Factoring Companies' balance sheets did not show any significant realisable value to support this valuation.

Other investments in subsidiaries included £7.4m in respect of PIMIL (the income of which was almost entirely dependent on management fees from PIF) and £8.8m in respect of BPA Trading & Investments Corporation, the Panamanian holding company through which BPA Fomento was held, and in which no other value was identified.

As such, the true recoverable value in PGL's subsidiaries was deemed to be zero or materially zero.

There was therefore no prospect of PGL standing behind its guarantee of its group's debt to PIF.

### PGL balance sheet

	10-Aug-16 GBP
Investment in subsidiaries	94,105,911
Trade receivables	1,104,574
Cash	91,485
Related party receivables	7,744,553
<b>Current Assets</b>	<b>103,046,523</b>
Trade creditors	(38,577)
Related party creditors	(12,929,895)
<b>Total Liabilities</b>	<b>(12,968,472)</b>
<b>Net Assets</b>	<b>90,078,051</b>



# Conduct of the Administration Managements

## Receipts and payments account

### Joint Administrators' final receipts and payments account 9 August 2016 to the date of this report

GBP	Notes	PIF	PIMIL
<b>Receipts</b>			
Net settlement proceeds	1	3,181,465	702,318
Sundry income	2	1,500	21,247
<b>Total receipts</b>		<b>3,182,965</b>	<b>723,565</b>
<b>Payments</b>			
Administration managers' fees	3	910,286	241,701
Disbursements	4	12,056	956
<b>Total payments</b>		<b>922,343</b>	<b>242,657</b>
<b>Balance</b>		<b>2,260,622</b>	<b>480,907</b>

### Receipts

#### 1. Net settlement proceeds

Noting the lack of realisable value in either Brazil or the rest of PGL's group, the Administration Managers conducted investigations into the reasons for PIF's insolvency, and identified a potential claim against its former auditor.

Having identified a potential claim, the Administration Managers sought third party litigation funding. Agreement was reached with Manolete Partners PLC (the "Funder") to provide financing to PIF, which agreement was approved by the Royal Court. The terms of the funding agreement were sealed by the Court.

The Administration Managers' advocates tabled a cause of action on PIF's behalf (the "PIF Cause") on 21 December 2018, which alleged negligence, breach of duty and breach of contract in the conduct of PIF's audits for the period ended 31 December 2013 and the year ended 31 December 2014.

The PIF Cause claimed losses of £14,012,730.38 plus interest and costs, with these losses having been calculated by reference to the amount of net investor subscriptions fraudulently disbursed by PIF after PwC ought to have taken action which would have prevented further subscriptions (or such lower figure as was derived from calculation using a later date).

PwC and PIF then exchanged defences and counterclaims over the course of 2019, before PwC applied to Court on 20 September 2019 to have the PIF Cause struck out.

This application was heard by the Royal Court on 5 December 2019, with judgment handed down on 15 May 2020. The strike out application was unsuccessful, however the judgment did recommend certain points of clarification, which were incorporated into an amended PIF Cause, tabled 2 June 2020.

Also in 2020, following the Administration Managers' further ongoing investigations, agreement was reached (and approved by the Court) with the Funder to fund a second action on behalf of PIMIL, a cause of action from which was tabled on 5 June 2020 (the "PIMIL Cause").

The PIMIL Cause also alleged negligence and breaches of duty and contract, on the basis that fraud in PIF would have been indicative of fraud in PIMIL, and appropriate action by PwC as auditor of PIMIL would have resulted in the same restriction on new subscriptions into PIF, as well as into PIP and the Cayman Fund.

The PIMIL Cause claimed damages of £21,001,633.33, calculated on the same date basis as PIF's claim, and inclusive of PIF's claim (i.e. PIMIL claimed a further £6,988,902.95, to the



# Conduct of the Administration Managements

## Receipts and payments account



### Receipts (continued)

#### 1. Net settlement proceeds (continued)

extent that PIF's losses were already included in the PIF Cause).

Losses in PIMIL were derived from proofs of debt against it lodged by the liquidators of PIP and the Cayman fund, which PIMIL lacked the resources or factual basis to refute.

Given the facts of the two claims were the same, the PIF and PIMIL proceedings were consolidated into a single action by an Act of Court dated 29 January 2021.

The Administration Managers, in concert with their legal advisors, continued to liaise with PwC in preparation for a trial, and exchanged lay witness statements, over the course of 2021 and the first half of 2022.

In April 2022, the Administration Managers reached agreement on a confidential settlement of those claims (the "Settlement"), and vacated the Court dates set aside for a trial.

The terms (including the gross settlement value) of the Settlement are confidential to the parties, and the net settlement proceeds received into PIF and PIMIL – as shown in the receipts and payments account – reflect the cash received after payment of the Funder's share of the proceeds, pursuant to the terms of the litigation funding agreement, and reimbursement of all costs settled by the Funder over the term of the funding agreement, including:

- Guernsey advocates' fees for conducting the PIF and PIMIL litigation
- English counsel's fees in connection with the PIF and PIMIL litigation
- Expert witness's fees in preparation for a trial
- US attorney's fees in connection with the resistance of attempts to consolidate the insolvency proceedings in the US and Guernsey (which would have had the effect of diluting assets in PIF with claimants from the US funds)
- Cayman advocate's and liquidators' fees in connection with the application to restore and wind up the Cayman fund

The Settlement was in respect of both claims. The Administration Managers then apportioned the proceeds between PIF and PIMIL on the basis of a detailed allocation exercise with in support of legal advice.

#### 2. Sundry income

Sundry income in PIF related to fees received from investors to reflect amendments to PIF's share register following transfers of ownership of shares.

PIMIL's sundry income relates to a £21,300 refunds received in respect of the unused portion of contracts held at the date of the Administration Managers' appointment, net of bank charges.

### Payments

#### 3. Administration managers' fees

Details of the fees drawn by the Administration Managers over the course of their appointments in respect of PIF and PIMIL are presented in the following section of this report, entitled "Remuneration and expenses".

#### 4. Disbursements

Details of the disbursements paid by the Administration Managers over the course of their appointments in respect of PIF and PIMIL are presented in the following section of this report, entitled "Remuneration and expenses".



## Remuneration and expenses

Joint Administration Managers' remuneration

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## Remuneration and expenses

### Joint Administration Managers' remuneration

#### Administration Managers' remuneration

##### Basis of remuneration

The basis of our remuneration was fixed on our appointment by the Royal Court by reference to the time properly given by the Joint Administration Managers and their staff at the discounted rates per grade referenced in the application of the GFSC.

The charge out rates approved by the Court on our appointment were:

Deloitte grade	Teneo equivalent*	Rate/hour
Partner	Senior Managing Director	525
Director	Director	483
Senior Manager	Associate Director	398
Manager	Manager	355
Associate	Consultant	168

\*Teneo acquired Deloitte LLP's UK and Channel Islands restructuring practice in 2021, and all staff and active insolvency mandates were transferred to Teneo effective 1 June 2021. This led to certain changes in terminology used to describe grades of staff, but did not result in any change to our hourly rates, or additional costs to the administration managements.

##### Time costs incurred

Since the date of our appointment to the date of this report, we have incurred total time costs across the administration management of PIF and PIMIL of £1,151,987.69 made up of 3,256.55 hours at an average charge out rate of £357.74/hour across all grades of staff.

The Administration Managers and their staff have drawn fees of £910,286.45 in respect of the administration management of PIF, and £241,701.24 in respect of the administration management of PIMIL.

Noting that the PIMIL Cause was based almost entirely on the fact pattern established through the Administration Managers' investigations and drafting of the PIF Cause, and that following the issuance of the PIMIL Cause the two claims were consolidated, the Administration Managers calculated an allocation of their time costs attributable to the litigation between the two companies.

The basis of the allocation between PIF and PIMIL follows the basis of allocation of the settlement proceeds, arrived at in consultation with the Administration Managers' legal advisors as to the reasonableness of this basis given the facts of the case.

As described in the previous section, the Settlement – and by extension the allocation thereof – is confidential to the parties and subject to privilege.

As such, it is not set out here.

##### Disbursements

The Administration Managers' disbursements were as follows:

PIF:

- Annual validation fees - £11,100
- Travel costs - £336.57
- Deloitte fees\* - £619.59

PIMIL:

- Travel costs - £336.57
- Deloitte fees\* - £619.59

\*Certain back-office functions formerly covered by Deloitte's worldwide network continued for some months following the sale of the Deloitte's restructuring business to Teneo





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## Next steps & guidance

### Liquidation and creditor claims

#### Next steps

##### Conclusion of the Administration Managements

The Administration Managements of PIF and PIMIL are now materially complete, and the JAMs wish to distribute the net cash in each company's estate.

The JAMs will therefore apply to Court for the discharge of the Administration Management orders granted in August 2016, and for PIF and PIMIL to be placed into compulsory liquidation.

This step is necessary because the Companies (Guernsey) Law, 2008, does not permit the payment of distributions to unsecured creditors or shareholders from Administration.

The proposed liquidators will be Ian Wormleighton (currently a JAM) and Andy Wood (a managing director in Teneo's Channel Islands team).

This application will be heard on 21 March 2023.

##### Liquidation

Once in liquidation, the liquidators will advertise for creditor claims in the Guernsey *Gazette Officielle*. The advertisement will allow three weeks for claims to be submitted.

Thereafter, the liquidators will adjudicate any claims received and prepare a schedule of distributions within a final account of the liquidation.

They will then submit this final account for consideration by a Commissioner of the Court at a final hearing, who will approve the distributions. These will then be paid.

#### Creditor claims

##### Submitting a proof of debt

Any person who believes they are a creditor should submit a proof of debt form, a template version of which is available from the case website, and included with this report.

There are likely to be two types of claim that investors in PIF may have which will constitute creditor rather than shareholder claims, as summarised below.

If investors believe their claim meets either of these criteria, we request that they provide copies of any relevant correspondence to support this.

In the event that investors no longer hold such correspondence, we request that they inform us so that we can conduct a search of PIF's records in respect of the investor's individual records.

##### Unpaid redemptions

Where a redemption was validly approved by the directors of PIF, but unpaid as at the date of the JAMs' appointment, this will likely constitute a creditor claim.

##### Unpaid dividends

Where PIF's directors validly declared a dividend from a dividend-paying cell, but this remained unpaid at the date of the JAMs' appointment on 9 August 2016, this will likely constitute a creditor claim.

#### Shareholder claims

After payment of creditors, the residual funds in each cell will fall due for distribution to that cell's shareholders.

#### Timing of payments

The liquidators anticipate making payments to creditors and shareholders at the same time. This will be following the approval of the liquidators' accounts by the Commissioner of the Court, which hearing would be expected to take place around 2 months after the placement of PIF into compulsory liquidation.

The precise timing of individual payments will be dependent on the provision by investors of the information set out on the following page of this report.



## Next steps & guidance

### Procedure for payments

#### Procedure for payments

Before the liquidators can make any payment, they will need to confirm to the Court that they have completed all anti-money laundering checks required by Guernsey law.

As such, they will be required to refresh their 'Know Your Client' checks on each investor receiving a payment.

In order to satisfy such checks, they will require, from each investor:

- A certified copy of a government issued photographic ID document (e.g. passport, ID card or driver's licence);
- A certified copy of a proof of address (e.g. a utility bill/bank letter/tax letter showing their address from within the last three months, or a driver's licence if not already used as photographic ID); and
- A copy of a voided cheque/bank statement/bank letter (suitably redacted for confidentiality but showing their account details).

#### Certification requirements

Documents requiring certification can be certified by any of the below individuals:

- A qualified accountant, actuary, lawyer, attorney or barrister
- A commissioner of oaths
- A qualified doctor
- A member of the judiciary, a senior civil servant, or a serving police or customs officer
- The money laundering reporting officer of a regulated firm
- A notary public
- An officer of an embassy, consulate or high commission of the country or territory that issued the passport or identification

On each photocopied/scanned document, the certifier must write:

"I, [name of certifier] confirm that this is a true copy of the original document which I have seen"

For documents containing a photo, the certifier must write:

"I, [name of certifier] confirm that this is a true copy of the original document which I have seen."

"I confirm that I have met [name of person whose document is being certified] in person and that the photograph is a true likeness of him/her"

In addition to the above, the certifier must write his/her:

- Full name
- Signature
- Occupation
- Address, telephone number and email address (for verification purposes)
- Date on which the document was certified

#### Timing of the provision of information

The liquidators will not require the information set out on this page until they come to pay distributions, however it may assist investors to have sight of the requirements such that they can start collating the information, some of which may take some time.





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